THE
TICKER
AND
INVESTMENT DIGEST

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

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Studies in Stock Speculation

Designed Especially for Those Who Cannot Attend Their Brokers' Offices

I. Purpose of this Series.

By ROLLO TAPE

Author of "Studies in Tape Reading"

HOW can I make money in the stock market?

This is the question which millions of people ask themselves daily—millions in this country and abroad who are speculating in the securities listed on the New York Stock Exchange.

Many will not admit that they are speculators. They call it "investing," thinking thus to appease their consciences.

But the great majority are neither speculating or investing. They are gambling.

Why?

Because they don't know how to speculate.

And why don't they know how?

Because, to quote the Editor of this magazine, "they have never been shown."

There is a very apt distinction: "Gambling ends where intelligent foresight begins," and it seems to us that no one would care to gamble if he knew how to speculate scientifically.

As defined under the heading on the first page of each number of THE TICKER, speculative operations are those "wherein intelligent foresight is employed for the purpose of deriving a profit from price changes."

Our problem, therefore, is to cultivate and employ our foresight so as to produce these profits.

There is a certain brokerage house in New York which has twenty-five hundred accounts on its books. Yet one can sit all day in its customers' office and not count over thirty or forty persons who actually come there for the purpose of transacting business.

Who are the others and why do they not also attend?

They are business men, doctors, lawyers, teachers, clerks, farmers and people in every walk of life. Their regular

duties make it impossible for them to journey to Wall Street daily. They are in communication with their brokerage houses by telephone, telegraph, or by mail. Instead of reading the tape during market hours, they read about the market after the close.

It is safe to say that less than five per cent. of those who speculate consult the tape as their sole guide to successful speculation. My series on Tape Reading which ran through Volumes 3 and 4 of THE TICKER should be the means of converting an additional number of people to that form of speculation. But for the sake of argument, let us estimate that ninety-five per cent. of American speculators form their judgment from what they read in their newspapers, coupled with what they hear, think, guess, or assume.

Allowing that five per cent. of these are operating along scientific lines, there remain ninety per cent. who are simply butting around in the stock market without plan or precept.

This ninety per cent. is the Great American Public.

I mean the Lambs.

And by way of making myself clear, let me here explain that a Lamb is merely one who don't know the game. I was once a Lamb myself.

Being a Lamb is nothing to one's discredit, unless he has been given an opportunity to learn and either refused or neglected it.

But the vast majority never know how or where to go about learning the ropes and they become entangled before realizing that a few simple suggestions would have put them on the straight path.

It is with the object of aiding the many who desire to operate intelligently that I have undertaken this series. As in the Tape Reading Studies, it is impossible to prescribe a set of rules which will fit every case. Each person must study and operate according to his capital, his ability, knowledge and experience. Therefore, what will help one man make money may be of no use to another.

For example, a certain class of people are best fitted, by nature and experience, to buy stocks only in panics. They have foresight which enables them to anticipate and prepare for panics; patience to wait until they arrive; courage to buy at the psychological moment, and tenacity which enables them to hold on for a large profit. Were these people to attempt trading for the smaller swings they would find themselves poorly adapted to the work.

The man who trades for the five- or ten-point movements, making several turnovers a year, is in still another class. He waits for the big slumps and buys, or he sells short on an overbulled market. He is so constituted that he cannot wait for a panic.

Then there are thousands of people who, on their own or another person's judgment, buy or sell for a substantial profit because they consider a stock cheap or dear, or know of certain developments affecting its future price. They are unwilling or unable to judge whether the time for making the commitment is a favorable one or not, and would be uneasy if they followed any other method of trading.

It would require many pages to describe the plans, methods and motives behind the commitments made daily by all sorts of traders who tempt Dame Fortune in Wall Street. Such descriptions, moreover, would be of no practical use.

I confidently believe that I can make these Studies valuable to all classes of traders. And this is merely to say that I can probably explain many things to the uninitiated, as well as give new viewpoints to those who know.

I have been studying the stock market for a great many years, but each day I learn something new and valuable. It frequently happens that a remark by the merest novice will uncover an idea which opens before me an entirely new field for thought; so I trust that even Wall Street veterans will find herein points worth while.

It is my intent to show various ways of making money in stock speculation, with the exception of Tape Reading, that method having already been covered in the foregoing series.

Following are some of the points which the Great American Public wants to know:

How to gain a thorough knowledge of the stock market.

How to devise or adopt the plan or

method of trading best suited to one's purpose.

How to select the stocks most likely to yield the largest profit.

When and when not to trade.

How to distinguish approaching panics or squalls.

When and how scale trading is safe.

How to distinguish a bull from a bear period.

Mechanical aids in trading.

The significance of volumes and how to use them in reading the market.

How to make money in "Rights."

When to buy and sell stocks of bankrupt companies.

How to trade against convertible bonds with little or no risk.

How to distinguish genuine from false information.

How to invest on the instalment plan with minimum risk.

How to reduce interest charges.

Why listed securities should be given the preference over unlisted or curb stocks.

The fallacy of "cheap" stocks.

The amount of margin necessary.

Why stop orders are advisable in margin trading.

Advantage of using securities as margin.

How not to overtrade.

The most advantageous way of placing orders, selecting brokers, etc.

How and when to pyramid with safety.

Advantage of the dividend- over non-dividend-paying stocks.

How to find the earning power of a stock.

Characteristics of the various issues.

How and when to arbitrage.

How to protect a big profit or make a long pull profit by the use of privileges.

How large operators sell stocks short while holding the certificates, thus reducing the cost of an investment.

To undertake the explanation of so many stock market problems seems to the uninitiated a huge task, but after all these are but the technique—the fine points—of the speculative business. Once these things are understood they appear very simple.

The portion of this series in which I shall take the most pleasure, and from which I believe my readers will derive the greatest benefit and profit, will be that which shows

How to forecast to-morrow's and subsequent movements from to-day's transactions.

This portion of the work is especially intended for those who are obliged to depend upon their newspapers as a basis for judgment, and who, after business hours, have leisure time in which to study and plan their campaigns.

I do not know of any branch of the subject which can be made of so much practical, everyday value as the above. It is a field which has never before been covered; in fact the idea which I have in mind is, so far as I know, entirely new. In working out the "Studies in Tape Reading" it occurred to me that as the greater portion of the speculative public never saw the tape, some means should be found to enable them to do the next best thing.

Practically every one consults his newspaper after each day's session. The tape is one form of newspaper, hundreds of feet long and less than an inch wide. If the tape gives correct indications and forecasts of the trend, the mere copying and summarizing, into regular newspaper columns, of what the tape has said, should not eliminate these indications.

With this thought I began to study the newspaper *transactions* (not the reading matter) and soon found that here was the basis for a method more or less complete in itself and *available to every person who has a dollar's interest in the stock market.*

The working out of this idea will form the principal object of this series, but I must first explain many of the points previously mentioned so that as opportunities develop they can be recognized and understood.

The method of treatment will be similar to the Tape Reading series. That is, we will try and avoid arbitrary conclusions; we will endeavor to reason things out as we go along in such a way that all will not only understand, but be able to apply this knowledge in a positive and satisfactory manner.

In the end I hope that the value of these Studies will be found, not in the kind or the number of suggestions, but

in the actual profits in money which the layman may derive therefrom.

As these Studies are not now written, we cannot tell just where and when we will end up. We will follow each idea to its finish and never become so wedded to any conclusion that we cannot discard it for a better one.

Thus we will be able to obtain our illustrations from current issues of the press, wherein are described stock market events still fresh in the public's mind.

I should like the co-operation of readers in the line of queries and suggestions.

It is my aim to make this series of more *practical, money-making value* to the average speculator than any which has ever been published.

In the next number Rollo Tape will begin the practical work of this Series

Mistakes and Difficulties of Speculators

By THOMAS F. WOODLOCK*

MORE or less continuous observation of speculation in stocks over a period of more than twenty years, warrants the assertion that speculators make about the same kinds of mistakes in about the same kind of way, which is the reason why the vast majority lose money.

These mistakes are mainly the product of two things: first, *cupidity,* second, *ignorance.*

The word cupidity is used in a restricted sense to mean the inordinate desire of gain without work. Men work at their appointed tasks in life with the desire of gain therefrom, but their desire is, so to speak, tempered by recognition of the necessity for work; furthermore, work is done with knowledge. Speculation is for the most part regarded as an easy way of getting money without work. This view of it, coupled with ignorance of the laws that govern, is the root of trouble for speculators.

The kinds of mistakes made most generally by speculators may be classified under a few distinctive heads and by discussing them we shall throw some light on the principles already discussed.

We may enumerate the following classes of mistakes most commonly made:

1. Failure to properly reckon chances.
2. Overtrading as to amount.
3. Trading too often.
4. Inertia in a losing position.
5. Overconfidence.

We consider these in the above order.

Many people think that as the market can only move up or down, the chances of profit or loss are even for the speculator. This view is fallacious because it omits to take account of the handicap of commissions and interest against the speculator and because there is an inherent temptation to the speculator to do the wrong thing.

The speculator is subject to a total commission of 1/4 per cent. on his operations—1/8 each way—which the broker is obliged to charge. Besides this he must buy at the offered prices and sell at the bid price which are usually 1/8 apart, making a total of 3/8 on his operations.

Furthermore, he is subject to interest charge on money borrowed, and as stocks are always quoted *flat* (without accrued interest or dividends), this charge is apt to be a dead loss on most of his speculations.

It is clear from this that if a speculator is making his operations on the basis of taking 1 per cent. profits and cutting 1

*From a series of lectures delivered at the New York Y. M. C. A.

per cent. losses (quite apart from interest considerations) the market must move $1\frac{3}{8}$ in his favor before he can make 1 per cent. net profit, whereas it need only move $\frac{5}{8}$ per cent. against him to make his loss 1 per cent. net. This is equivalent to odds of 11 to 5 against him. On a basis of loss and profit of 2 per cent. the odds are 19 to 13; on the basis of 3 per cent. the odds are 27 to 21 against, and so on without reckoning interest.

On any basis of such profits and losses this is a heavy handicap against the speculator. Supposing him to guess the character of the market movement correctly half of the time, he must always have a larger average movement in his favor than the average movement against him.

Again, as we have seen previously, a "bull" is one who has bought and hopes to sell out at a profit. "Bullish" sentiment increases as the number of "bulls" increase, and is never so great as when the number of "bulls" is largest, i. e., when the market is most overbought. In other words, the temptation to buy is never so strong as when prices are at the top. And *vice versa*.

Financial history shows clearly that the market is always overbought after a long advance, and always oversold after a long decline, just because of this temptation. The records of 1902, 1904, 1906, and 1908 are eloquent on this point. Probably for the first time in the history of the Steel market there was a public "short interest" in 1908.

Next is the mistake of "overtrading" which means assuming risks out of proportion to capital at command. This is very common. It arises first from the cupidity of the speculator who usually expects to double his capital quickly, and second from the general impression that capital should be used on a basis of 10 per cent. margin. The record of prices previously shown clearly indicates that this is a very small margin on which to operate.

It is fair to say that the speculator who will use $1,000 capital to trade in 20 or 25 shares at a time, will fare better in the long run than he who uses it to trade in 100 shares at a time. The reason is that he will not be so often compelled to be an involuntary seller or buyer at the wrong time, either because his margin is exhausted or because the magnitude of his losses frighten him. The first unexpected accident will wipe out the 10 per cent. margin speculator, whereas the other type described will be much more likely to survive.

It is a common saying in Wall Street that the speculator who aims only at making a large annual interest on his capital will double his capital ultimately, while the speculator who aims at doubling his capital quickly will almost certainly lose it, and there is much truth in the saying.

The next kind of mistake commonly made is that of trading too often. It arises as the rest do from cupidity and from ignorance of the fact that Wall Street is the only place where a lost opportunity costs nothing. The effort to constantly catch the fluctuations inevitably degenerates into reckless and unanalyzing trading with the natural result. One of the earliest lessons that a speculator should learn is that it often pays to sacrifice apparent opportunity for the sake of safety.

Trading too often, moreover, naturally increases the burden of commissions and interest.

The normal condition of the scientific speculator should be one of inertia. He should be drawn into the market only by a favorable combination of circumstances and he should be out of it during the rest of the time. He is always sure of his opportunity sooner or later as a result of the mistakes of others. The tendency to trade constantly, however, is very strong and the mistake of trading too often is perhaps the most common of all mistakes.

Next is the mistake of inertia in a losing position—which is exemplified in the tendency on the part of many speculators to take quick and small profits while allowing losses to grow.

The maxim "Cut your losses—let your profits run," is as old as speculation itself, but probably not one per cent. of speculators have the courage to follow it. To accept a loss in cold blood requires the doing of violence to cupidity and the other instincts. Human nature is always hopeful until it is alarmed; the speculator should be always suspicious

and quick to take alarm when the market goes against him. The policy of quick retreat may lead to abandonment of many a good position, but no one is ever broken by the money he has not made, but only by the money he has actually lost. A lost opportunity, as we have said, costs nothing.

The experience of most speculators is that they have made many small profits, but that their profits have been wiped out by a much smaller number of large losses. If speculators made it an iron rule that in no case would they allow a loss to run more than, say, two or three points, their chances of ultimate success would be increased very largely.

Lastly then is the mistake of overconfidence, which is a direct compound of cupidity and ignorance and is frequently associated with the other mistakes that we have been discussing. The only courage that has any place in speculation is the courage that enables the intellect to govern the passions—and it has its root in knowledge.

The Wall Street adage is that "The tape tells the story," which means that the market does not lie. No matter what may be the speculator's knowledge or information, he cannot afford to disregard the market indications, for these may reflect the operation of factors that he does not know. He can never be sure that he knows *all* the factors.

Overconfidence leads the speculator to "average" a losing position which almost always leads to ultimate disaster. It leads him to pyramid a winning position so that he practically continues to wager "Double or Quits" with the market—until the market wins. Moderation in aims, and discretion that is the better part of valor, are both invaluable to the speculator—overconfidence is foe to both.

From consideration of these mistakes and from what we have seen as to the nature of speculation and the principles of price movement, we may deduce certain principles necessary to successful speculation as a business.

First: The speculator must have a clear idea of what he is trying to do, *i. e.*, he must have some clear notion of what he expects the market to do and how he expects to operate so as to profit thereby. This implies original knowledge of stock values, money values, and speculative market conditions.

Second: The more moderate his operations in proportion to his capital, the greater his prospect of ultimate success.

Third: He must have the strength of mind to resist the temptation of cupidity and the patience to wait until the chances favor him—sacrificing many apparent opportunities for the sake of safety.

Fourth: He must be more vigilant as to his losses than as to his profits, and inexorable in accepting a loss whenever he is in serious doubt as to his position, never allowing a large loss to accumulate.

With such disposition, with continual application of mind and careful study of financial winds and waves, and with abundant capital, speculation can be scientifically carried on as a profession. But it is a most difficult profession to learn—and not an easy way of making money.

(To be continued.)

How to Select Investments

I. Fundamental Considerations

By WILLIAM WALKER

FOR various reasons the number of people who wish to invest money outside their own lines of business has increased greatly within recent years.

One reason for this has been the great prosperity of the country, resulting in a rapid accumulation of surplus capital in the hands of nearly every class of people. The growing wealth of our Western farmers has become almost a joke, so frequently has it been exploited in the newspapers and magazines. Real estate owners everywhere have seen a marked appreciation of their property. Wage earners have been generally employed (except during the year 1908) and the more thrifty of them have been accumulating money. Advancing prices have made it comparatively easy for business men to make good profits.

About the only class that has failed to participate in the prosperity wave has been that earning fixed salaries—clerks, professional men, etc. Such incomes are slow to rise, while the cost of living eats into them faster and faster as prices advance. Practically every other class, however, is accumulating money which must be invested. The per capita wealth of the United States grew from $307 in 1850 to $1,310 in 1904.

GROWTH OF CORPORATIONS

Another reason for the increased interest of the public in investments is the gradual absorption of nearly all the "big business" of the country into great corporations. The farmer who a few years ago invested his surplus money in a local woolen mill, now finds that mill a part of the American Woolen Company, which he, perhaps, feels as though he knows little about. The local steel companies are now in the United States Steel Corporation or the Republic Steel & Iron Company, or some other combination, and the same with other enterprises.

If the small investor is to get good returns on his money he must enlarge his view. It is poor policy in a time of advancing prices to put money into a bank and leave it there. The interest received will be small and even that small amount will be partly offset by rising prices. A hundred dollars will not buy as much as it bought in 1899 and the prospect is that it will buy still less in 1919. The man with ten thousand dollars has a smaller share of the country's wealth year by year.

There is nothing difficult or mysterious about the art of investing money safely and profitably. It is, in essence, nothing in the world but a commonsense proposition, and the mysterious part of it is why many who are sensible and intelligent enough in ordinary business affairs seem to lose their good sense immediately when they start to invest money for an interest return.

The inexperienced investor is apt to fix his eye on two points only:

1. Rate of interest.
2. Safety of principal.

And in many cases he will take big chances as to safety in order to earn an extra one per cent. interest. He would have to get that extra one per cent. for a hundred years before he could afford to lose his principal—and by that time he is likely to be where rates of interest will not worry him.

WHAT NOT TO DO

In the first place do not invest in an enterprise because it is near at hand. This is a most common error on the part of those unfamiliar with investments.

A manganese mine is discovered by Tom Buffum on the farther side of Bear Mountain. He takes a sample of the ore

down to Bunk City and Seth Upham, who was a '49-er, declares that it is a rich ore. So the neighbors form a company and start in to exploit the mine.

Or Mrs. Jones puts all her money in the Bunk City bank because she knows old Hez. Green, who is one of the directors.

It is a common fallacy to think we know all about a local enterprise. We buy stock in a shoe factory in our home town, although the population of the town has not increased for ten years and the tendency of the shoe business is all in favor of the big, centrally located factory. But we are afraid to buy stock in a bank in Seattle or Los Angeles, where the population is doubling almost overnight, even though the soundness of the bank is vouched for by the strongest investment houses and the most conservative bond dealers.

Get out of your mind the idea that nearness to you has anything to do with the value of an investment. You are important to yourself—but not especially important to the success of the investment, probably.

HOW TO LOOK AT THE INTEREST RATE

Second, do not consider the interest return on the investment from the point of view of your own necessities. Do not reason that you have only $20,000 capital and cannot live on less than $1,400 a year, therefore you must make your money earn seven per cent. Here again the investment market cares nothing about your personal needs. An investment which pays seven per cent. interest does so because well-posted capitalists consider it less safe than others paying six per cent. or five per cent., otherwise the price would speedily rise until the yield was reduced.

Now it may be that capitalists have not yet discovered the value of this seven per cent. investment and that it pays that rate because it is less generally known than another equally safe investment which yields only five per cent. But while this is possible, it is not probable; and before you decide that the seven per cent. investment is just as safe as the five per cent. investment you must know every detail of the business of the company and everything which may affect the future value or safety of the stock. You must know the property thoroughly, know the character of its officers, its earnings, its competitors, the future prospects of its territory, and in studying these factors you must put out of your mind all thoughts of your own requirements.

TAKING ADVICE

Again, as a rule do not value advice highly because the adviser is your friend. If your friend is in a position to know more about the property than any one else and if you are sure that his interests do not blind him to the real facts of the case, well and good—give his advice due weight. But do not buy stock in the South American Gold Dredging Company because your clergyman thinks highly of it, or because it is being promoted by a local lawyer in whom you have confidence, or because Jackson, the well-known Wall Street plunger, tells you on the quiet that Gold Dredging is going to be a second Butte & Boston.

Your adviser may be and doubtless intends to be perfectly honest; but also he may be carried away by his enthusiasm, he may have formed his opinion without sufficient investigation, he may have taken the advice of a friend, or he may be one of those persons whose perfectly honest views always coincide with their own interests (a most convenient temperament and very common).

The most valuable advice is generally that of a disinterested and well qualified person whose business it is to give advice; that of a high-grade bond house, which is always searching for the safest and best-paying investments for its customers; a newspaper or magazine whose subscribers depend upon it for sound and conservative statements; or a capitalist who has no connection with the company under consideration, but who has made a fortune by his sound judgment of values.

Do not take any advice unless it agrees with your own deliberate judgment. No adviser knows your circumstances and resources as well as you know them and no adviser will devote as much thought and careful study to your investment as he will to his own.

NEWSPAPER GOSSIP

Do not depend upon newspaper statements as to the value or earnings of a property, its future plans or its business prospects. Remember that the reporter who wrote those items would not be writing them if he really had any important knowledge of the subject—he could make more money in other ways. Remember that he has so much space to fill daily and has no time to verify his news. Remember that his principal object is to write something that will interest you and make you buy the paper.

The majority of newspaper financial reporters are truthful so far as the conditions under which they work permit them to find out the truth, but their knowledge of the subjects on which they write is necessarily small and their opportunities for thorough investigation are limited. Not one per cent. of the enormous mass of financial news and gossip published daily is worth the time it takes to read it.

THE DANGERS OF HASTE

Finally, do not be in a hurry about making your purchase. The golden opportunity which must be seized now or forever lost may not look so golden after you have obtained all possible information regarding it.

Do not permit yourself to get enthusiastic. In that respect the science of investment differs from every other line of business. It is often said that enthusiasm is the lever that moves the world. That is true in regard to earning money, gaining promotion, perfecting an invention, selling goods, or writing a poem.

It is not true when it comes to investing your hard-earned shekels. That is the time to weigh and consider, to cultivate a healthy cynicism, to hold your imagination in leash, and get down to solid facts. Remember that it is enormously easier to make money than to keep it.

DIVISION OF INVESTMENT FUND

It is a good plan to divide your fund for investment into three parts:

1. A reserve or sinking fund, as it may be called. This should consist of about one-half of the capital you now have on hand. It should be permanently placed, with a view to safety of principal and income, and with the expectation of trenching upon it only in case of disaster to other investments, loss of health, or failure of earning capacity.

Interest return will receive only slight consideration in the placing of this reserve fund. Safety is the important thing.

What you will do with this part of your money will depend upon your individual circumstances and character. Perhaps you will invest it in a house and lot, reckoning the saving of rent as interest on the investment, selecting a location where you believe real estate values are likely to advance, and getting out of your investment the comfort of an established home in addition to interest return.

Perhaps you will put it into real estate mortgages, or property which you personally know and believe to be well situated. If you cannot conveniently investigate your own mortgages, perhaps you will purchase some of the guaranteed mortgages which have recently become popular in certain sections. You may conclude to put it into the best and highest grade railroad or municipal bonds, selected after consultation with the most conservative bond houses, and yielding only a moderate rate of interest.

If you are a small investor and of a cautious temperament you may even prefer to keep this part of your money in a savings bank. In nearly every case, however, even the small investor can find a more profitable way to place his reserve fund than in a savings bank. He can, as a rule, buy what the savings bank buys, thus getting the return on his money that the savings bank would get, and saving that part of the running expenses of the bank which would be charged to him if he deposited his money with it.

SPECULATIVE FUND

2. The other half of your capital may well be employed in investments which return a higher income and which have in addition some speculative possibilities.

It must be borne in mind that investment and speculation cannot be entirely separated. Even if you buy government bonds, yielding you only two per cent. interest, you are taking chances on

the solvency of the United States Government. This is a very slight chance, of course, but it is still a chance. You are facing a speculative possibility, willy-nilly. If you buy a mortgage, you are taking the risk of a Galveston storm, a San Francisco earthquake or a Baltimore fire. The element of risk can never be entirely eliminated from human affairs.

All your investments, therefore, will be in a sense speculative. You are simply dividing them into less speculative and more speculative. The greater the element of speculation the greater should be your return in interest payments and in increase of value.

This speculative fund, like the reserve fund, will be variously invested by different people. Your tastes may run to real estate, your neighbor's to industrial stocks. If you have little knowledge of business and no opportunity to inform yourself adequately, the second grade of bonds, or the best class of dividend-paying railroad stocks, yielding perhaps five per cent., will afford a good opportunity for the investment of this part of your capital. You will endeavor to buy in a panic. Thereafter, if you wish to take a strictly investment position, you will probably continue to hold your bonds or stock regardless of price, adding to your holdings from time to time from your surplus fund as explained below.

If you have a more speculative temperament and believe yourself capable of using an ordinary business man's discrimination in "buying low and selling high," you will perhaps endeavor to buy in every panic and sell out on every boom. Or you will try to select securities which have special prospects of an increased dividend and an advance in price.

Even with this fund, however, it is very unwise for you to set a mark and say to yourself "I will make this fund earn ten per cent.," or any other per cent. The markets care nothing for your ten per cent. You will have to be satisfied to do what Rockefeller and Carnegie and all the others have done—take advantage of opportunities as they appear.

YOUR SURPLUS

3. You will of course gradually accumulate a surplus from the interest on your investment and from your earning capacity. If you are like the majority, a considerable part of this surplus will be spent in increased living expenses, luxuries, travel, etc.; but a part of it will doubtless be added to your permanent capital.

You should take special pains to invest this accumulating surplus in a readily salable form. Then in case your monthly or yearly surplus suddenly turns to a deficit you will not be obliged to trench upon your regular investment funds. You may prefer to carry this surplus in a trust company, where it will earn a small interest and yet be instantly available.

Some make the mistake of using this surplus for "flyers" in the stock of newly organized companies, "second Bell telephones," etc. Even if such stocks are really of value, the market for them is apt to be uncertain and treacherous. When the surplus turns to a deficit these stocks will be of little value in filling the hole.

If you were thinking of spending $100 on a champagne supper or a trip to Chinatown, and on second thoughts concluded to invest the $100 in the newly floated stock of the South American Gold Dredging Company, the investment might be justifiable; but you cannot reasonably take "flyers" except with money you can afford to lose.

As this surplus accumulates it is well to gradually transfer it to your two investment funds, keeping them about equal in amount.

In the December issue William Walker will discuss the characteristics of a good investment

The Present Copper Situation

An Analysis of World's Production and Supplies, With Their Bearing on the Stock Market

By "SNAVE"

COPPER stocks have been the big disappointment in the bull movement in all classes of securities since the panic. Nearly all other stocks have returned handsome profits to investors, while the fluctuations in the market from time to time have enabled the careful speculator, following the upward trend, to increase his capital.

But copper stocks have been laggards. The speculator has had little chance for the action he needs, while the investor sees no increase either in dividends or in the market value of his holdings.

Why have not the Coppers participated in this general upward movement to the same extent as other industrials? Steel stocks have been climbing—why not their companions, the Coppers? They were formerly supposed to go hand in hand.

SUPPLY AND DEMAND

The fundamental reason is not far to seek. The one ignored the law of supply and demand; the other did not. When business was dull the steel mills produced only sufficient to take care of the demand, while the copper mines continued to produce at record rate. Not only did they produce more than the trade demanded, but the 1908 production was the largest ever known. This could result in but one thing—large overproduction; and this surplus has been hanging over the market like the sword of Damocles. Only the cheapness of money and the strength of the manipulative forces at work in the stock market have prevented a serious decline in prices.

What has the future in store for the copper trade and copper securities? Readers of THE TICKER may recall that in the May 1909 number I presented a few conclusions on the copper situation. The correctness of these has been verified by subsequent events. I then stated that the price of copper metal would run between 12½ to 13½ for the next four months; the *Engineering and Mining Journal* averages for these months were: May, 12.893c.; June, 13.214c.; July, 12.88c.; and August, 13.007c. I also suggested that persons interested in copper stocks figure the price of the metal as 13c. for the balance of the year. As my article was written in April, it required some confidence in my diagnosis of the situation to predict a future eight months ahead.

It is a matter of record what copper companies did in 1908, with a yearly average for copper of 13.208c. for electrolytic and 13.424c. for lake. Now the average for nine months of 1909 is about 13c., or less than 1908, and copper has sold for December delivery at 13⅛c., which would indicate no great increase in price for the balance of this year. Therefore, it is a safe assumption that the prices which will be received by the mines in 1909 will run no higher, if as high, as in 1908.

Hence, on equivalent production, no increase in dividends could be looked for from 1909 earnings.

Of course, a large increase in production by a company which can sell at 13c. and make a profit, would produce greater revenue and cause talk of increased dividends. Again, a number of new promotions whose cost of production should be low enough to give them a profit on a 13c. market, are gradually nearing completion and, according to precedent, the market price of their se-

curities should soon begin to anticipate this stage of their development.

THE FUTURE

The stock market is a mart of anticipation, so the question which confronts the investor and speculator is, not what is being done, but what will be done. We are face to face with several conditions of prime importance, viz.:

1. We have a record production with no effort at curtailment.

2. We have an enormous surplus, equal probably to a half year's world's consumption at present rate.

3. We have a number of mines approaching the producing stage, that will add largely to the total production.

4. We have a consuming public educated as never before to an understanding of the economic conditions surrounding the copper trade, and who demand that they be dealt with fairly.

5. We have a strong combination in control of the market both for the metal and for the stocks of the important copper-producing companies.

As to the first of these conditions, a record production requires a record consumption. At the present time we all know that consumption is not up to production; business has been good but not brilliant. Judging from general business conditions the copper trade should improve, but growth will be slow. Consumers have, as a rule, been buying from hand to mouth; as sales have been made by them they have bought to cover.

The market is notable for the absence of the speculation which was prevalent in 1906 and 1907. Owing to knowledge of the strength behind the market, consumers have felt that copper around 13c. was a buy; but there was nothing in the situation to warrant any speculation. The large consumers believe that copper under 13c. is cheap, and, on several occasions when the metal did break to 12¾c., comparatively large quantities were purchased by parties able to finance it. However, when this buying was satisfied the market would lapse into dullness and some copper so purchased in April and May has not yet gone into consumption.

As to the second statement, in addition to the large surplus of copper in the United States there is an enormous surplus held abroad in England, Holland, Belgium and France, which is speculative. American refiners ship abroad all possible in order to strengthen the statistical position at home. The holders of this speculative copper have not had much opportunity for action and are becoming tired, so that, on any rise in the price of the metal, there is bound to be liquidation. On this liquidation the metal will pass into other speculative hands. When it finally passes into consumption will be the time to expect a sustained increase in values.

Mines now approaching the producing point will eventually become an important factor, at which time the situation will demand renewed study and analysis. At present their principal effect is to discourage speculation for the rise.

The fourth condition is one not thoroughly appreciated by most people. The reports from the Producers' Association are eagerly awaited by many consumers and carefully studied. These people may not have any interest in the stock market, but they apply their reasoning to their own business.

Not only do these consumers take a personal interest in the American figures but also the figures on the foreign supply are dissected, and the conclusions reached govern them to a great extent in their copper purchases.

With the figures now available as to supplies, the consumer cannot help but pursue the conservative course of buying from hand to mouth. This has brought about a condition where the buyers have not made the market; had this been the case we might have seen higher prices. On the other hand, had the market been made by the metal itself we would certainly have witnessed lower prices.

This brings us to the fifth statement, in regard to the manipulative party in control. With a bull movement under way in other classes of securities, the copper market required support. It has been the black sheep in the fold, but it has been a comparatively easy matter to support it when other markets are taking care of themselves in a natural manner, based on a substantial foundation. Copper makes good collateral and money has been easy to obtain at low rates. Cop-

per bought at 12c. and sold at 14c. returns over 17 per cent. on the investment, which makes it attractive provided the end desired, viz., to sell at 14c., is consummated.

It must be remembered, however, that the mines have, as a rule, been paid for this surplus copper, and they will therefore receive no benefit from the higher prices which may be secured for it. The benefit will accrue to the people who are financing the situation and to the speculators in the metal. Not many mines are in position to finance their own copper; they are paid for it from month to month, and received in the neighborhood of 13c. for their 1908 and 1909 production.

THE WORLD'S PRODUCTION

Let us take a few statistical figures. In 1906 the United States production was in the neighborhood of 1,100,000,000 pounds. In 1909 this production will be about 1,350,000,000 pounds. This represents an increase of over 23 per cent. The United States has been producing about 55 per cent. of the world's copper. However, there is no doubt that the United States has outstripped the rest of the world in its copper production, and the statistics for 1909 will see a revision in the percentage of domestic production from the prevailing ratio of the past few years. The world's production, however, certainly must be in the neighborhood of 2,000,000,000 pounds, against a total of 1,600,000,000 pounds in 1906. In 1906 the United States consumed about 43 per cent. of this production, or 60 per cent. of its own output, exporting the balance. In 1909, the figures so far available indicate a domestic consumption of 49 per cent. of output, but this consumption in pounds equals about 660,000,000 against 686,000,000 pounds in 1906, or practically the same. Therefore, in the United States we have an increase in production of 23 per cent. with no increase in consumption.

If the Producers' figures for domestic consumption are correct they offer a condition that has escaped a good many people, namely, that we are now consuming nearly as much copper in this country as ever before; but the difficulty lies in determining just what is embraced in the Producers' figures as "consumed." Copper is not consumed until—well, until it *is* consumed. The millstone around the neck of the market lies in the world's supply, accumulated during 1908 and 1909.

In 1906 we exported 446,000,000 pounds; in 1907, 465,000,000 pounds, and in 1908, 650,000,000 pounds. In 1909 we shall probably export about 650,000,000 pounds. The foreign consumption has not picked up as it has here and the foreigners have the surplus. In the face of this there is little buying ahead in other countries and the copper warrant market in London, which is used to advance prices here, is in a stagnant condition, with a bearish tendency.

The present situation resolves itself into the law of supply and demand, with a by-law of manipulation. While consumption has crept up and nearly equals past records in the United States (according to the Producers' Association figures) our production has outstripped it greatly. At present the foreign demand cannot take care of this surplus and stocks are larger both here and abroad than ever before.

If the foreign demand should increase in the same proportion as in the United States, we might be able to take care of production. But what of the surplus? Consumption will have to increase much more than it has to reduce this to a safe level, and the foreign demand will presumably increase slowly. The domestic demand will probably slacken up somewhat during the winter in certain lines, while in others it should increase with the improvement in general business.

In the meantime, pending a readjustment between supply and demand, the manipulative forces seem to have combined to support the copper market around 13c. People who expect an open break in the copper metal are apt to be disappointed. Remember that the mines have all been paid for this surplus copper and any serious break is not likely to be allowed by the people on whom such a loss would fall.

Had speculation in copper on the London Metal Exchange, during the summer and spring, been active enough to build up a large long interest in copper metal,

(Continued on page 18.)

The Bond Buyer's Guide

Showing Relative Cheapness of Principal Railroad Issues Listed on the New York Stock Exchange

THE selection of bonds for investment is a subject which puzzles some of the wisest investors. Which issues are best suited to individual requirements and which of these yield the highest income? That is the question.

In the following table we have arranged the principal issues in which round lot transactions took place on the New York Stock Exchange during the week ending October 9th, income being figured at the latest selling price. Ratings are according to classifications given in Moody's "Analyses of Railroad Investments."

These tables will appear regularly and should prove invaluable to all classes of bond buyers, as well as brokers and others who are called upon to recommend or advise on such matters.

Class Aaa—Bonds of the highest grade as regards security and which are also readily convertible into cash. These issues are not likely to be affected by any normal changes in the earning power of their respective roads; their prices are, however, influenced by the rates for money.

Description.	Due.	Interest period.	Price Oct. 9, '09.	Yield.
Southern Pacific 1st G. 4s. (Cent. Pac. Col.)	1949	J — D	92	4.48
Erie, N. Y., L. E. & W. 1st Con. G. 7s.	1920	M — S	121¾	4.47
Oregon Short Line Guar. ref. Col. 4s.	1929	J — D	93⅞	4.46
Lake Shore Deb. 4s.	1928	M — S	95	4.39
Lake Shore Deb. 25-yr. 4s.	1931	M — N	94⅝	4.38
Southern Pacific Cen. Pac. 30-yr. Guar. G. 3½s	1929	J — D	89	4.33
Chicago, B. & Quincy Joint 4s.	1921	J — J	97	4.32
Rio Grande Western Tr. 1st 4s.	1939	J — J	94¾	4.31
Wabash 1st G. 5s.	1939	M — N	112¾	4.25
Denver & Rio Grande 1st Con. G 4s.	1936	J — J	96½	4.22
Reading Co. Gen. G. 4s.	1997	J — J	99	4.15
Central Pac. Ref. 1st 4s.	1949	F — A	97¼	4.14
Southern Pacific Central Pac. 1st ref. Guar. G. 4s.	1949	F — A	97¼	4.14
Union Pacific 1st ref. 4s.	2008	M — S	97⅝	4.10
Louisville & Nashville Unified G. 4s.	1940	J — J	99¼	4.04
Nor. & Western Ry. Con. 1st 4s.	1996	A — O	99¼	4.04
Illinois Central 1st Col. Tr. 4s.	1952	M — N	99⅜	4.03
West Shore 1st 4s.	2361	J — J	101	4.00
Chicago, Bur. & Quincy, Ill. Div., 3½s.	1949	J — J	90	4.00
Chicago, St. Paul, M. & Omaha Con. 6s.	1930	J — D	128¾	3.97
Atchison, Top. & S. F. Gen. G. 4s.	1995	A — O	100⅝	3.92
Northern Pacific Prior Lien 4s.	1997	Qu. - J	102½	3.90
N. Y. Central & H. R. ref. 3½s.	1997	J — J	91	3.86
Pennsylvania Conv. 3½s.	1915	J — D	98¼	3.83
Lake Shore 1st 3½s.	1997	J — D	92	3.82
Lake Shore 1st 3½s.	1997	J — D	92	3.82
Pennsylvania Con. 4s.	1948	M — N	104	3.80
Delaware & Hudson 10-yr. Conv. 4s.	1916	J — D	103	3.49
Pennsylvania Conv. 3½s.	1912	M — N	103⅛	2.30

Class Aa—Composed of high grade bonds slightly inferior to the above, either as to security or salability or both.

Wabash 2nd G. 5s.	1939	F — A	101½	4.90
Colorado & Southern Ref. & Ex. 4½s.	1935	M — N	97⅝	4.65
Cent. of Ga. Con. 5s.	1945	M — N	110	4.44
Chicago, Ind. & Louisville Ref. 6s.	1947	J — J	129	4.41
Kansas City Southern 1st G. 3s.	1950	A — O	74⅝	4.36
Southern Ry. E. T. Va. Cons. 1st G. 5s.	1956	M — N	114¼	4.29
Atchison, Top. & S. F. Short Line 4s.	1958	J — J	94¼	4.28
N. Y. Central Deb. 4s.	1934	M — N	95⅞	4.27
Southern Pacific R. R. 1st ref. 4s.	1955	J — J	94⅝	4.27
Atlantic Coast Con. 1st G. 4s.	1952	M — S	95½	4.27
Atchison, Top. & S. F. Gen. Adj. G. 4s., Stamped	1995	M — N	94⅝	4.23
Colorado & Southern 1st G. 4s.	1929	F — A	98	4.15
Baltimore & Ohio 1st G. 4s.	1948	A — O	99½	4.03
Chicago, Bur. & Quincy Gen. Mtg. 4s.	1958	M — S	99⅜	4.03
Minn., St. Paul & S. S. M. Con. 4s.	1938	J — J	99⅝	4.02
Missouri, Kansas & Texas 1st G. 4s.	1990	J — D	100⅛	3.99
Union Pacific Id. gr. G. 4s.	1947	J — J	102⅝	3.87
Nor. & Western Conv. 10-25-yr. 4s.	1932	J — D	102½	3.84
Atchison, Top. & S. F. Conv. G. 4s.	1955	J — D	119⅜	3.18
Atchison, Top. & S. F. Conv. 4s.	1955.	J — D	121⅝	3.13
Union Pacific 20-yr. Conv. 4s.	1927	J — J	116¼	2.84
Atchison, Top. & S. F. 10-yr. Conv. G. 5s.	1917	J — D	120¼	2.23
Atchison, Top. & S. F. Conv. 5s.	1917	J — D	120⅞	2.15

Class A—Bonds of high grade, but affected somewhat by changing earning power as well as money rates and general conditions.

Kansas City, Ft. Scott & M. Ref. G. 4s.	1936	A — O	83	5.17
Atlantic Coast Line L. & N. 5-20-yr. Col. 4s.	1923	A — O	90¼	4.97
Chicago & Alton 1st Lien 3½s	1950	J — J	75½	4.89
Missouri Pacific Col. Trust G. 5s.	1917	M — S	102	4.70
Chicago, R. I. & Pacific 1st Ref. G. 4s.	1934	A — O	90⅝	4.63
Erie 1st Con. G. Prior Lien 4s.	1996	J — J	87	4.61
Missouri, Kansas & Texas 2nd G. 4s.	1990	F — A	88	4.57
Louisville & Nashville South-Monon Joint 4s.	1952	J — J	90½	4.50
Baltimore & Ohio P. L. E. & W. Ref. 4s.	1941	M — N	93	4.41
P. L. E. & W. S. W. Div. (B. & O. System) 1st G. 3½s.	1941	M — N	93	4.41
Chesapeake & Ohio Gen. G. 4½s.	1992	M — S	104	4.33
Louisville & Nashville, Atl. Knox & Cin. Div. 4s.	1955	M — N	93⅝	4.22
Baltimore & Ohio, Southwestern Div. 3½s.	1925	J — J	90⅝	4.21
P. L. E. & W. S. W. Div. (B. & O. System) 1st G. 3½	1925	J — J	90⅝	4.21
St. Louis Southwestern 1st G. 4s.	1989	M — N	94	4.27
Baltimore & Ohio Prior 1st G. 3½	1925	J — J	92½	4.15

Class Baa—Good second grade bonds, somewhat speculative in nature.

Erie 1st. Con. Gen. Lien G. 4s.	1996	J — J	75⅝	5.30
Ann Arbor 1st G. 4s.	1995	Qu. - J	84	4.78
St. Louis, I. Mt. & So., R. & G. Div. 1st 4s.	1933	M — N	89	4.77
Missouri, Kansas & Texas 1st & Ref. 4s.	2004	M — S	85	4.68
Wisconsin Central, Sup. & Dul. Div. & Term 1st 4s.	1936	M — N	93¼	4.43
Wisconsin Central, 50-yr. 1st Gen. 4s.	1949	J — J	95	4.26
N. Y., N. H. & Hartford Conv. Deb. 6s.	1948	J — J	148	3.86
N. Y., N. H. & Hartford Conv. 3½s. Deb.	1956	J — J	109	3.13

Class Ba—Well secured bonds, likely to decline if earnings fall off or advance if earnings increase.

Erie 50-yr. Conv. 4s., Series B	1953	A — O	73½	5.63
Wabash 1st Ref. & Ext. G. 4s.	1956	J — J	73¼	5.62
Denver & Rio Grande, 1st & Ref., 5s.	1955	F — A	94¼	5.34
Missouri, Kansas & Texas Gen. S. F. 4½s.	1936	J — J	90½	5.15
Erie 50-yr. Conv. 4s., Series A	1953	A — O	83	4.95
Southern Ry. 1st Con. G. 5s.	1994	J — J	110	4.54

Class B—Issues likely to fluctuate in price and more speculative than the foregoing class.

St. Louis Southwestern 1st Con. G. 4s.	1932	J — D	78	5.73
Iowa Central Ref. G. 4s.	1951	M — S	76⅝	5.41
Missouri Pacific 40-yr. Col. G. Loan 4s.	1945	M — S	86½	5.20
Chicago, R. I. & Pac. Col. tr. 4s.	2002	M — N	77⅝	5.18
St. Louis & San Francisco Ref. G. 4s.	1951	J — J	85	4.84
Southern Ry., M. & O. Col. tr. G. 4s.	1938	M — S	90½	4.60

we would have a condition where the exported copper would be represented by warrants, which warrants would be in the hands of the speculative public and on any break in the metal the loss would fall on them. I do not believe that any such condition exists. In fact, the very contrary may be one reason for the stability of the market. There may be a large short interest in copper metal; the insiders have the copper, and no great drop will be permitted.

POSSIBLE CURTAILMENT OF PRODUCTION

A logical solution to the problem would be to curtail production, and it may be that the coming winter will bring heavy snows which will result in "coal and coke shortages," etc., so that the end desired may be attained without undue publicity.

Consolidation and absorption of any group of mines will not help the situation unless with the object of curtailment of production. The selling agencies who dispose of the metal are very closely allied and work in complete harmony, so that consolidation is practically unnecessary here to control prices; but even the selling agencies cannot repeal the law of supply and demand.

Curtailment of production would help matters as nothing else would, and the mines would very shortly secure higher prices even on a smaller output; but the trouble will be to secure general consent to a *pro rata* reduction. A mine that can make 3c. a pound profit, or 4c. or 5c. profit, on a 13c. copper market, could reduce output 30 per cent. and make more money if copper went up to 15c. But no one group of mine operators is willing to do this for the benefit of others, not only because it is not human nature, but because any increase in price stimulates production and this would be taken full advantage of by the mines not in the agreement, tending again to overproduction.

In the near future the stock speculator may find some room for action in a limited way, as the rumors of absorption and consolidation of various companies now going the rounds will be likely to have some market effect on the stocks involved. The investor, however, is confronted with a 13c. market for 1909. By this I mean an average for the year. Hence, he can determine, by the method I outlined in the June number of THE TICKER, just where any company stands in which he is interested. If it can make money and pay dividends on a 13c. market, he stands a chance of getting more of a return in dividends, together with an increase in the market value of his stock, but he should watch the markets carefully and bear this in mind—that there cannot continue to be a constantly growing surplus without "something doing." This may take the form of stagnation in the copper business, as consumers may withhold purchases until copper breaks; or, there may come the curtailment in production, which would be a good remedy; or there might be such a phenomenal increase in consumption as would use up the accumulated stocks. A break in the price of the metal would naturally be followed by a slump in security values. A curtailment in production at the present time would not be general and the mines doing so would suffer the greatest drop in value. The phenomenal increase in consumption is not yet in sight.

THE PRESENT PROBLEM

Has the general market risen to such heights that a severe break in copper, both metal and stocks, will be permitted? Is it not a possible condition that, under cover of the general bull market, the copper situation will be fully taken care of, in the hope that prior to the general distribution of stocks the copper market may be in a state of health to justify this action?

On any break in the metal large quantities would doubtless be purchased by heavy consumers and after these purchases were made the market would stiffen up; but it must be borne in mind that large purchases at low prices, for delivery extending over a number of months, reduce the subsequent buying power at the higher prices until such time as the low-priced copper so purchased is consumed; so that there will have to be a general continued buying, indicating genuine consumption, to prevent further additions to the surplus.

There is nothing, after reviewing the

whole matter, to become bullish over, but at the same time it does not seem as if the bears were to be allowed an inning. To the ordinary observer it would appear that controlling interests made a mistake when such a condition as now exists was permitted to develop, but they may be able to see relief ahead, which is not apparent from an outsider's point of view.

In brief, the situation is a critical one. The cat is on the fence and may jump at any time. The best policy at present is to get on the fence too, and when the cat jumps, jump with her.

"Manipulation"

By "THE SCALPER"

MANIPULATE—To operate on with the hands; handle dexterously; hence to artfully influence; manage.—*Standard Dictionary.*

"No pushee; no pullee; go like hellee!" remarked the flabbergasted Chinaman when he first saw the cable-car. This seems to be about the attitude of several million observers when they see the stock market.

In Buckle's "Introduction to the History of Civilization in England," he shows with peculiar lucidity how primeval man in the tropics, surrounded on every hand by the spectacular wonders of a nature which he could not understand—the thunder, the lightning, the tempest, the comet, the ignis fatuus—attributed all these phenomena to the gods, offered up sacrifices to propitiate them, and bowed down before priests who claimed the gift of prophecy.

They attributed to "manipulation" the disasters which overtook them because of their ignorance, and tried to get "tips" from their prophets.

The average small speculator assumes exactly the same attitude towards the financial powers of the stock market as prehistoric man assumed towards the powers of nature.

He cannot understand the fluctuations of the market. It goes up on bad news and down on good news. It starts out of stagnation into sudden strength or weakness without any apparent cause, so far as he can discover.

"All manipulation!" he says. "The only way to beat it is to find out what the big fellows are doing."

Not only the "pikers" but the newspaper men also offer up sacrifices to the god of "Manipulation." When a stock moves up or down it is the business of the newspaper reporter to find a reason therefor. When he cannot see a reason, or catch the tail of any flying rumor which would serve his purpose, he wisely writes: "The general opinion among experienced traders was that the sudden advance in Bumblebee preferred was due to manipulation"; or "Active manipulation continued throughout the market during the first hour," etc.

In fact there are some newspaper writers who seem to devote their columns largely to proving that no adequate cause existed for the fluctuations of the day and that nothing of interest appeared in the news, and that prices were made merely to suit the vagaries of professional operators.

The fact is that there are plenty of people willing and anxious to manipulate the market in their own interest, but they cannot do it unless they get help from outside—in which case there is a reason for the movement of prices beyond the will of the manipulator.

Marking up Reading three points is certain to be a losing proposition unless speculators or investors come in at the advance and take off the hands of the manipulator the stock which he has been obliged to buy in order to advance the price; but if they do come in and buy, then their purchases are the real cause of the advance, not manipulation. The manipulation was undertaken because the manipulator knew that buyers would come in at an advance. In other words, he knew that conditions would make the

advance profitable, and the "piker" can know the same, if his judgment and information are equally good.

The manipulator who makes a profit out of his operations is no longer a manipulator, in the strict sense of the word—he has simply taken advantage of conditions.

The winning manipulation has a cause, can be foreseen if the facts on which it is based are known, and is entirely legitimate. In fact it is not properly manipulation at all.

One thing that leads the ordinary trader to cry out "manipulation" is the fact that the market does not immediately respond to items of news.

"Reading earned one per cent. on its common stock in the month of July," says the news ticker.

"Buy a hundred Reading," orders the trader. Then he is disgusted to see that Reading does not stir a peg. Why should it? Everybody knows about how Reading's earnings are running. The July earnings do not make any important change in the situation.

The prices of stocks are not made on hour-to-hour news, except when some important question is hanging in the balance. As a rule prices are based on three considerations:

1. The rate for money.
2. The permanent value of the property.
3. The technical situation.

The first two factors act slowly. The essential facts in regard to them are accessible to everybody alike, at least so far as railroad corporations are concerned. Some of the industrial companies still follow the archaic plan of keeping the actual value of their property a secret, but the conservative trader will avoid committing himself in these stocks.

As to the technical situation the insider usually has some advantages over the small trader. He is in a position to get better information in regard to the condition of the books in important commission houses. Probably he cannot get exact figures in regard to the long and short interest in commission houses, but he can get at substantially the facts of the case. He knows more about the willingness of the public to come in on advances or to be shaken out on declines, to take profits or to go short, than the outside trader knows.

Yet even these superior opportunities of getting information may themselves lead him astray. It is commonly believed that in the bull market of 1906, which proved disastrous to some of the biggest men in the business, these heavy operators mutually misled each other to such an extent that the rank outsider really had the opportunity to know the technical situation better than those who were making the quotations.

After all, the only reliable evidence as to the technical situation is to be found in the action of the market. The higher the source of a rumor the more likely that it was set moving for an "ulterior purpose." The tape, or the complete quotations as published in certain newspapers, tell the story.

Get this fact into your mind where it will stick: To charge a market movement to manipulation is, in the vast majority of cases, merely a confession of ignorance.

Don't assume that the reason for the movement is not there simply because you can't see it.

Don't take tips which are based on the supposed purposes of big operators.

Remember the primeval savage sacrificing a goat to propitiate the god of the thunderstorm.

And cut the word manipulation out of your vocabulary. It will do you far more harm than good.

The matter was all summed up by Robert Goodbody & Company in a recent market letter:

"It may be said that it is almost a waste of time to reason on the probability of speculative moves; that they are due to chance or to manipulation. We do not dispute that it may be in a sense waste of time, for the subject is essentially uncongenial to the writer, but that they are due to chance or manipulation is certainly not true. Given all the facts, nothing would be easier than to predict speculative moves. The trouble is that no one can know all the facts, and that the best we can do is to try to realize some of them. Then the market itself does not know all the facts, and it may well be that those it neglects are im-

portant. But that manipulation which moves prices in an unnatural direction can be profitable or can be anything but a source of heavy loss to the manipulators, is not true; and it always puzzles us that otherwise sensible people should allow themselves to ascribe importance to it."

Government Crop Percentages

How They Are Figured and What They Indicate

PROBABLY very few who read the monthly Government Crop Reports understand exactly what is meant by the figures. Suppose the Report gives the condition of the spring wheat crop as 88.6. Is this per cent., and if so, per cent. of what?

This is a question that arises frequently in brokers' offices and elsewhere, and gives rise to animated discussion.

The government figure represents *per cent. of normal.* But what is normal?

A normal crop is one which has been sown, grown and matured under ordinary conditions, and is in a state of perfect health, not having suffered injury from any source, nor, on the other hand, having had the advantage of any specially favorable conditions, such as extra care, special fertilization, etc.

The percentage has no reference to acreage, which is separately reported.

Here is what the Department of Agriculture has to say about the normal:

"So many of the reports of the Statistician of the Department of Agriculture are based upon a comparison with the 'normal' that it is a matter of the greatest importance that there should be a clear understanding of what the normal really means.

"To begin with, a normal condition is *not* an *average* condition, but a condition *above* the average, giving promise of *more than an average crop.*

"Furthermore, a normal condition does *not* indicate a *perfect* crop, or a crop that is or promises to be the very largest in quantity and the very best in quality that the region reported upon may be considered capable of producing. The normal indicates something *less* than this, and thus comes between the average and the possible maximum, being greater than the former and less than the latter.

"The normal may be described as a condition of perfect healthfulness, unimpaired by drought, hail, insects, or other injurious agency, and with such growth and development as may reasonably be looked for under these favorable conditions. As stated in the instructions to correspondents, it *does not* represent a crop of extraordinary character, such as may be produced here and there by the special effort of some highly-skilled farmer with abundant means, or such as may be grown on a bit of land of extraordinary fertility, or even such as may be grown quite extensively once in a dozen years in a season that is extraordinarily favorable to the crop to be raised. A normal crop, in short, is neither deficient on the one hand nor extraordinarily heavy on the other. While a normal condition is but rarely reported for the entire corn, wheat, cotton, or other crop area, at the same time or in the same year, its local occurrence is by no means uncommon, and whenever it is found to exist, it should be indicated by the number 100.

"Sometimes a favorable season for planting is followed by a favorable growing season, with no blight and no depredations by insects, the result being a normal condition. At other times the normal may be maintained by conditions that are exceptionally favorable in one or more particulars counterbalancing conditions that are unfavorable in other particulars. Thus, a crop may have

had such an unusually good start that it may pass without injury through a period of drought that would otherwise have proved disastrous to it, or its more than ordinary vigor and potentiality may fully offset some slight injury from insects.

"The normal not being everywhere the same, in determining how near the conditions of any given crop is to the normal, correspondents will usually find it an advantage to have a definite idea of what yield per acre would constitute a full crop in their respective districts; that is, how many bushels, pounds, or tons per acre of a particular crop would be produced in a season that was distinctly but not exceptionally favorable. In a region where 30 bushels of corn may be taken as the normal, a condition of 90 would give a prospect of a crop of 27 bushels, and 80 a crop of 24 bushels. If 40 bushels be considered the normal yield, 90 (or ten per cent. less than the normal) would indicate a crop of 36 bushels, 80 one of 32 bushels, and 70 one of 28 bushels.

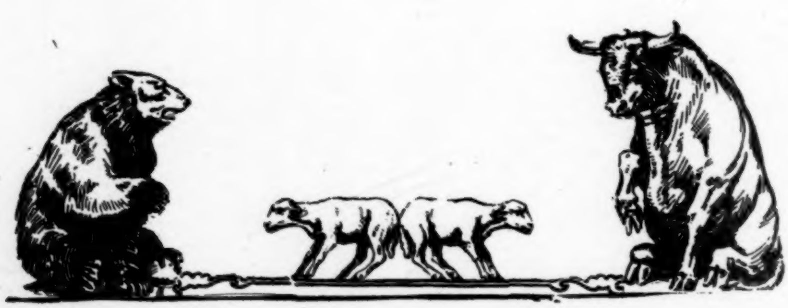
"For the reason that the normal, represented by 100, does not indicate a perfect or the largest possible crop, it may occasionally be exceeded. The condition may be so exceptionally favorable as to promise a crop that will exceed the normal, and it will accordingly have to be expressed by 105, 110, or whatever other figures may seem warranted by the facts."

To some this may seem indefinite and unsatisfactory. It may seem that 100 per cent. should represent a certain number of bushels of wheat or pounds of cotton per acre.

If you attempt to set such a figure, however, you begin to sympathize with the troubles of the Department of Agriculture. A number of bushels of wheat that would be a good crop on some land would be a very poor crop on other land. Is the highly fertilized crop to be the standard, or the unfertilized? In some sections no fertilizer is ever used; in other sections it is necessary to fertilize to get a crop at all.

Moreover, the average yields per acre should increase from year to year with improved methods of cultivation. Would you raise your "normal" figure from year to year?

These are only samples of thousands of practical problems which the Department has to solve in crop reporting. Perhaps the results are as good as could be expected, considering the difficulty of the task. The science of practical statistics is necessarily an imperfect one.



The Bargain Indicator

New Leaders This Month

NOTE.—Except where otherwise noted, earnings are herein computed for the twelve latest months available, thus keeping the table constantly up-to-date. Additions and betterments are included in the earnings as given, wherever they are so reported as to be distinguishable from ordinary expenses of maintenance, since earnings invested in the improvement of the property are usually of more value to the stockholders in the long run than if they had been distributed as dividends. Such additions and betterments out of current earnings increase the equity of the stockholders and therefore render the stock more valuable.

IN response to requests, we have added several street railway stocks this month, and one of these, DETROIT UNITED, heads the list. This company owns 741 miles of track, comprising all street railways in Detroit, and all suburban lines out of Detroit. In 1906 5 per cent. dividends were paid, but the dividend for the last quarter of 1907 was passed and none has been paid since. However, earnings for 1908 were 8 per cent. on par, against 8.9 in 1907 and 9.3 in 1906, and net in 1909 so far shows a liberal increase over 1908.

ROCK ISLAND common takes another big step upward, owing to the almost phenomenal earnings of the Rock Island and 'Frisco Lines. Fixed charges and taxes are estimated on the basis of the last yearly report. There has been some increase in fixed charges since that date, the exact amount of which it would be almost impossible to determine; but on the other hand, considerable betterments have been charged to operating expenses, probably enough to offset the increase in charges. This quick jump in the earnings applicable to Rock Island common is due to the low "margin of safety" for the lines operated by this holding company. In 1908 this margin of safety over the amount required for fixed charges was only 6 per cent. for Rock Island Lines, 4 per cent. for 'Frisco Lines, and 26 per cent. for Chicago and Eastern Illinois, compared with 54 per cent. for Atchison, for example. The capitalization of Rock Island is like a pyramid, of which the stock is the apex. Increased earnings pile up on the apex. The common stock is a prince in prosperity and a pauper in a panic.

BUFFALO, ROCHESTER & PITTSBURG is not very active on the Exchange, but is showing heavy earnings.

TOLEDO, ST. LOUIS & WESTERN gets its income chiefly from its ALTON dividends. Both roads have shown smaller increases in earnings during the last few months.

ATCHISON has dropped several places, owing chiefly to its recent sharp advance in price—an advance which should convince the skeptical of the desirability of watching this "Bargain Indicator," if any further proof is needed.

The publication of the READING annual report enables the statistician to identify the betterments during the year in the underlying companies: Philadelphia & Reading Ry. and Philadelphia & Reading Coal & Iron Co. These show plainly that the high price of this stock is not due solely to "manipulation."

Industrials

COLORADO FUEL & IRON is beginning to show earnings applicable to the preferred stock. Only $2,000,000 of this preferred is outstanding and the market for it is very inactive. It is 8 per cent. cumulative, and is now 52 per cent. in arrears. Owing to the small quantity of this stock, the earnings make a big showing in per cent.; in 1900, when these dividends were similarly in arrears, they were brought down to date by a declaration of 40 per cent. and in the next year the stock sold at 142½.

AMERICAN AGRICULTURAL CHEMICAL has shown a continual increase in earnings since 1905, even holding its own during 1908, but no dividends on the common have been declared. The 6 per cent. preferred dividends have been paid regularly and a handsome surplus is accumulating.

VIRGINIA-CAROLINA CHEMICAL makes almost an equal showing, and a 3 per cent. dividend was paid on the common in August—the first since 1903.

AMERICAN BEET SUGAR loses a little in its per cent., owing to the rise in the price. It has been crowded out of its position at the head of the list by other companies reporting more recently.

The several steel companies are keeping up their earnings, but have generally fallen in position, owing to the recent advances in the prices of their stocks. This is notably the case with U. S. STEEL common.

THE BARGAIN

TABLE SHOWING WHICH STOCKS A

RAILROADS

PRESENT EARNING POWER AS COMPARED WITH MARKET PRICE

Position.		Approximate earnings on par.	Price Oct. 11, '09.	Earnings on price.
1	Detroit United	10.4%	69	15.1%
2	Rock Island com.	4.3	36	11.9
3	Louisville & Nashville	15.1	149	10.1
4	Union Pacific com.	20.2	202	10.0
5	Norfolk & Western com.	9.1	95	9.6
6	Colorado & Southern com.	5.1	53	9.6
7	Buffalo, Rochester & Pittsburg com.	9.4	100	9.4
8	Toledo, St. Louis & Western com.	(d)4.6	50	9.2
9	Atchison com.	(a)11.0	120	9.2
10	Chicago & Alton com.	6.0	67	9.0
11	Chesapeake & Ohio	7.3	87	8.4
12	Delaware Lackawanna & Western	45.7	560	8.2
13	Reading com.	(c)13.0	161	8.1
14	Kansas City Southern com.	3.5	44	8.0
15	Southern Pacific com.	10.2	128	8.0
16	Pittsburg, Cin., Chicago & St. Louis com.	(b)7.4	95	7.8
17	Atlantic Coast Line	10.5	134	7.8
18	Pennsylvania	11.0	146	7.5
19	Minneapolis, St. Paul & S. S. M. com.	9.7	139	7.0
20	Delaware & Hudson	12.8	187	6.8
21	Baltimore & Ohio com.	7.8	116	6.7
22	Chicago & Northwestern com.	12.1	188	6.4
23	Twin City Rapid Transit	7.0	109	6.4
24	Great Northern pfd.	9.2	150	6.1
25	Northern Pacific com.	(a)9.1	150	6.1
26	St. Louis Southwestern pfd.	4.0	69	5.8
27	New York Central	7.3	135	5.4
28	Brooklyn Rapid Transit	4.1	78	5.3
29	Illinois Central	7.4	149	5.0
30	Missouri Pacific	3.4	68	5.0
31	N. Y., New Haven & Hartford	8.5	171	5.0
32	Canadian Pacific	8.9	184	4.9
33	New York, Ontario & Western	2.2	46	4.8
34	Wabash pfd.	2.0	47	4.3
35	Missouri, Kansas & Texas com.	(e)1.7	44	3.9
36	Cleve., C. C. & St. Louis com.	2.7	75	3.6
37	Denver & Rio Grande com.	1.4	44	3.2
38	Chicago, M. & St. Paul com.	(a)4.2	157	2.7
39	Minneapolis & St. Louis com.	1.4	54	2.6
40	Erie com.	0.8	34	2.4
41	Southern Railway com.	0.7	29	2.4
42	Wabash com.	.0	18	.0
43	Duluth, South Shore & Atlantic pfd.	.0	29	.0
44	St. Louis Southwestern com.	.0	29	.0
45	Texas & Pacific	.0	34	.0
46	Iowa Central pfd.	.0	52	.0
47	Wisconsin Central com.	.0	53	.0

(a) On increased capitalization. (b) Pfd. and com. share equally after com. receives 5%. (c) Includes betterments on subsidiary companies. (d) Includes income from Alton divs. (e) Betterments north of Red River not included.

INDICATOR

ARE THE BEST PURCHASES NOW

INDUSTRIALS, &c.

BASED ON LATEST OFFICIAL REPORTS

Pos.	Date of Report.		Approximate earnings on par.	Price Oct. 11, '09.	Earnings on price.
1	June 30, 1909.	Colo. Fuel & Iron pfd.	(a)42.9%	105	40.9%
2	June 30, 1909.	Amer. Hide & Leather pfd.	(a)10.8	47	23.0
3	June 30, 1909.	Amer. Agricultural Chem. com.	7.5	46	16.3
4	May 31, 1909.	Va., Carolina Chemical com.	7.1	45	15.8
5	Mar. 31, 1909.	Amer. Beet Sugar com.	7.0	47	14.9
6	July 31, 1909.	American Linseed pfd.	5.8	41	14.1
7	Apr. 30, 1909.	U. S. Realty & Improvement	(c)9.7	82	11.8
8	Feb. 28, 1909.	Corn Products pfd.	(a)9.5	85	11.2
9	Jan. 31, 1909.	Union Bag & Paper pfd.	(a)7.1	75	9.5
10	Aug. 31, 1909.	Sloss-Sheffield com.	(b)8.2	91	9.0
11	June 30, 1909.	U. S. Steel com.	(b)7.6	86	8.8
12	Mar. 31, 1909.	U. S. Rubber com.	4.0	48	8.3
13	Dec. 31, 1908.	Inter. Harvester com.	7.8	95	8.2
14	Apr. 30, 1909.	Amer. Smelt. & Ref. com.	7.7	95	8.1
15	Dec. 31, 1908.	Amer. Can pfd.	6.6	81	8.1
16	Sept. 30, 1909.	Western Union	(b)6.2	76	8.1
17	June 30, 1909.	Rep. Iron & Steel pfd.	8.0	105	7.6
18	Aug. 31, 1909.	Amer. Tel. & Tel.	10.2	142	7.2
19	Dec. 31, 1908.	People's Gas	7.8	115	6.8
20	Dec. 31, 1908.	National Lead com.	5.8	87	6.7
21	Jan. 31, 1909.	National Biscuit com.	7.4	115	6.4
22	Dec. 31, 1908.	North American	4.8	78	6.1
23	Dec. 31, 1908.	Amer. Sugar Ref. com.	7.5	130	5.8
24	Dec. 31, 1908.	Railway Steel Spring pfd.	5.6	107	5.2
25	June 30, 1909.	National En. & Stamp. com.	1.1	21	5.2
26	Dec. 31, 1908.	Utah Copper (par $10)	23.3	$47	5.0
27	Dec. 31, 1908.	Tenn. Copper (par $25)	6.5	$34	4.8
28	Jan. 31, 1909.	General Electric	7.4	163	4.5
29	Feb. 1, 1909.	Mackay com.	4.0	91	4.4
30	June 30, 1909.	Pacific Coast com.	4.6	109	4.2
31	Apr. 30, 1909.	Amer. Car & Foundry com.	2.6	69	3.8
32	Dec. 31, 1908.	Bethlehem Steel pfd.	2.4	65	3.7
33	June 30, 1909.	Amer. Locomotive pfd.	4.0	115	3.5
34	Dec. 31, 1908.	Amer. Woolen pfd.	3.2	104	3.1
35	Apr. 30, 1909.	Amalgamated Copper	2.4	79	3.0
36	Mar. 31, 1909.	Inter. Steam Pump com.	1.4	47	3.0
37	Dec. 31, 1908.	Consolidated Gas	4.1	143	2.9
38	Dec. 31, 1908.	N. Y. Air Brake	2.4	88	2.7
39	Dec. 31, 1908.	Central Leather com.	1.3	48	2.7
40	May 31, 1909.	U. S. Cast Iron Pipe pfd.	1.8	55	1.5
41	June 30, 1909.	Allis-Chalmers pfd.	0.8	52	1.5
42	July 31, 1909.	Amer. Steel Foundries	0.7	60	1.2
43	Dec. 31, 1908.	Pressed Steel Car pfd.	1.2	105	1.1
44	Dec. 31, 1908.	Amer. Can com.	.0	12	.0
45	Jan. 31, 1909.	Union Bag & Paper com.	.0	13	.0
46	July 31, 1909.	American Linseed com.	.0	16	.0
47	Feb. 28, 1909.	Corn Products com.	.0	22	.0
48	May 31, 1909.	U. S. Cast Iron Pipe com.	.0	32	.0
49	Dec. 31, 1908.	Bethlehem Steel com.	.0	33	.0
50	Dec. 31, 1908.	American Woolen com.	.0	38	.0
51	June 30, 1909.	Republic Iron & Steel com.	.0	46	.0
52	Dec. 31, 1908.	Railway Steel Spring com.	.0	46	.0
53	Dec. 31, 1908.	Pressed Steel Car com.	.0	46	.0
54	June 30, 1909.	Amer. Locomotive com.	.0	58	.0

(a) Divs. in arrears. (b) Based on quarterly report. (c) Based on first five months of current fiscal year.

Bird's Eye Views

Studies of Value Based on a Broad Survey of Conditions That Make Prices

II. The Future of American Beet Sugar

By G. C. SELDEN

SINCE the publication of the last annual report of the American Beet Sugar Company, for the year ending March 31, 1909, the common stock of that company has maintained a position near the head of the list in THE TICKER'S Bargain Indicator.

It is probable that the relatively low price of this stock compared with its apparent earning power is partly due to the fact that investors in general are not familiar with the details of the beet sugar situation.

Before the position of the American Beet Sugar Company can be understood it is necessary to have in mind some idea of the conditions controlling the sugar trade and especially the production of beet sugar in the United States.

INCREASING CONSUMPTION OF SUGAR

"Of all the home markets for our domestic agricultural products," says a recent government report, "there is none so insistent nor so expansive as that for sugar."

The consumption of sugar in the United States has more than doubled since 1890, tripled since 1882. Consumption of sugar *per capita* was 54 pounds in 1890, 81 pounds in 1908.

It is an interesting conjecture where this increasing use of sugar is going to stop. Hard times do not stop it, for during the years from 1893 to 1896 the *per capita* consumption continued to climb without any important setback.

Perhaps you are old enough to remember the time when sugar was considered a luxury, to be used sparingly. In early New England the sugar bowl was kept on a high shelf, to be brought out only for company. Black molasses and maple sugar were the common sweeteners. Many a small boy was spanked for sucking the cob which did service as a stopper in the molasses jug.

Economists and students of family expense accounts tell us that sugar has largely taken the place of beer and cider in stimulating the palates of the poor. They rate the increasing use of sugar as a strong aid to temperance.

It does not seem probable that the *per capita* consumption of sugar will increase as rapidly in the future as in the past, because no family is now too poor to buy sugar; yet he would be indeed rash who would venture predictions on this point. There can be no doubt, however, that the aggregate consumption of sugar in the United States will continue to increase largely.

INCREASING PROPORTION OF BEET SUGAR

The proportion of beet sugar to the total of sugar consumption is increasing still more rapidly.

Production of Beet Sugar in the United States

	Tons.
1887	255
1896	40,000
1908	493,000

Manufacture of Refined Sugars

	Per cent. 1908	1907	1906
American Sug. R. Co.	45	49	51
Independent Refineries	38	37	37
Beet Sug. Factories	16	13	10

Do you wonder that the American Sugar Refining Company thinks it wise to own stock in several of the large beet sugar companies?

Yet the beet sugar industry is still in its infancy. Only 15 per cent. of the sugar consumed in the United States is beet sugar; but nearly one-half of the world's total sugar production is beet sugar. Here are the figures:

Estimated World's Sugar Crops, 1909

	Tons.
Total cane sugar	7,375,000
European beet sugar	6,470,000
U. S. beet sugar	390,000
Total	14,235,000

Clearly our beet sugar industry has room to grow, compared with that of Europe. Europe prefers to manufacture its own sugar out of beets, instead of importing cane sugar from the tropics.

INCREASING SUGAR CONTENT OF THE BEET

A point is worth nothing here as bearing upon the competition between cane and beet sugars. The percentage of sugar obtainable from cane is nearly stationary, but there has been a very great increase in the percentage of sugar obtained from beets.

The first beet sugar factory in the world was started in 1801 and the sugar content of the beet was then about 5 per cent. Even as late as 1870 only 6 or 8 per cent. of sugar was obtained from the beet in French and German factories.

All sugar factories now reject beets having less than 12 per cent. sugar. At some factories the average is 20 per cent. and exceptional beets run as high as 25 per cent. This improvement of the sugar beet is likely to continue, as the world is only just beginning to appreciate the possibilities of careful selection, crossing and breeding of vegetables and plants. Luther Burbank has demonstrated that the same methods that have developed the giant draft horse and the two-minute trotter can be successfully applied to plant life.

That it is the nature of the sugar beet to secrete sugar is shown plainly by the fact that an unusually small yield of beets per acre, or beets unusually small in size, always contain more sugar than the normal beet. The beet seems to be more anxious to make sugar than to make pulp, so that when conditions interfere with its growth in any way the percentage of sugar is increased. This fact encourages scientists to believe that the average sugar content of the beet may be further increased.

THE STRONG POSITION OF THE BEET SUGAR INDUSTRY

The greatest strength of the beet sugar industry lies in the following point of view:

At present American farmers are raising grain for export, selling it abroad, then taking the money thus obtained and buying imported sugar with it. If, on some of the land now devoted to raising this grain, they can raise several times the same value of sugar beets, and can use the sugar manufactured therefrom, they are saving freight charges both ways. Why should they not do it?

There is no good reason why they should not, and that fact explains the rapid growth of the sugar beet industry.

It is poor economy for the Nebraska farmer to send to Cuba for something he can raise at home. It is equally poor economy for him to raise wheat and sell it to England, in competition with Argentina and the peasant labor of Russia, when he could raise three times the value of sugar beets on the same land.

Even if the wheat-raiser lives in North Dakota and the beet-raiser in Colorado, it is still easier to make the exchange than to deal with foreign countries. And certain sections of the United States are as well adapted to growing beets as any place in the world.

TERRITORY OF THE SUGAR BEET

The region in which the beet can be profitably grown is limited by temperature, length of growing season and distribution of rainfall.

Without irrigation the beet may be grown in New York, Northern Ohio and Indiana, Southern Michigan, Wisconsin, Southern Minnesota, South Dakota, Western Nebraska, Washington and Northern Oregon and in sections of Northern California; with irrigation, in Colorado, Utah, Idaho, Arizona, New Mexico and Southern California.

The four great centers of the beet sugar industry at present are:

1. **Southern Michigan.**
2. **Colorado.**
3. **Northern Utah and Southern Idaho.**
4. **Southern California.**

The essential conditions for profitable beet-growing are, first, the combination of cool summers with a long growing season. This limits the industry to a belt along the isothermal line of 70 degrees.

Second, abundant moisture during the growing season and a dry period toward maturity. The growing beet is fond of

water and can hardly have too much, provided it is accompanied by adequate sunshine; but as the vegetable matures it needs less water, and an oversupply of water after maturity may lead to a second period of growth which seriously damages the beet for sugar-producing purposes.

It will be noticed that here are two somewhat difficult combinations of conditions. A cool summer is naturally accompanied by a short growing season; and heavy precipitation during the growing period makes a considerable autumn rainfall unlikely. For these reasons the production of the sugar beet is now, and is likely to remain, localized in those sections specially adapted to the purpose.

ADVANTAGE OF IRRIGATED LANDS

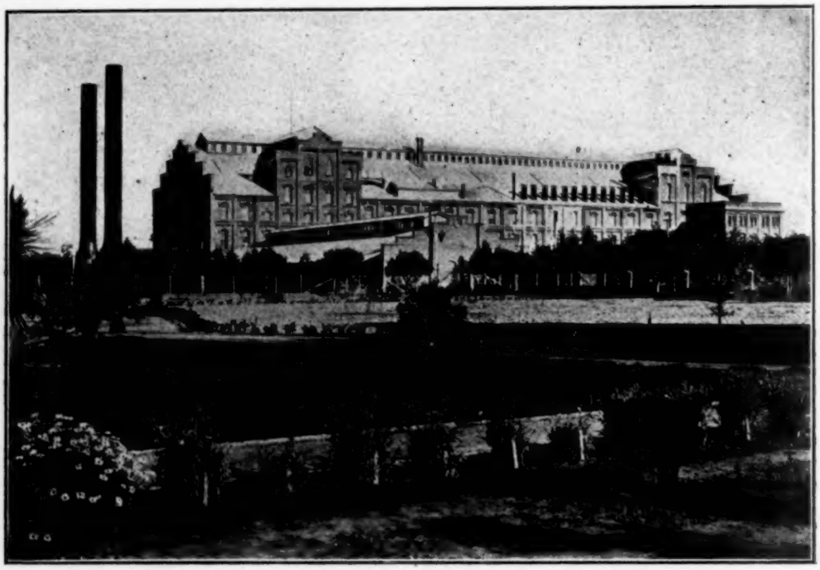
The largest development of the beet industry has been on irrigated lands, where control of the water supply, a long growing season and the proper temperature can be more easily combined than on non-irrigated land.

Government tests of beet production in different parts of the United States, extending over a period of three years, show this very clearly. The results on irrigated land at Fort Collins, Colorado, for example, were as follows;

Averages for Three Years at Fort Collins

Sugar content of beets	14.7 per cent
Yield per acre	20.4 tons
Coefficient of purity	83.9

Each of these per cents. was the highest shown for any part of the United States and the mean weight of topped beets was also greater at Fort Collins than elsewhere. The government investigators attributed these exceptional results to the low temperature at that station and the control of water supply.



THE OXNARD FACTORY OF THE AMERICAN BEET SUGAR COMPANY—ONE OF THE LARGEST BEET SUGAR FACTORIES IN THE WORLD

The California experiments showed a high per cent. of sugar and a high coefficient of purity, but a much lower yield per acre—only eight tons.

There is another important reason for the concentration of the industry upon irrigated lands. The farmer on such lands has relatively high fixed charges to meet every year, and he therefore wants a crop which will yield a large money income per acre. The beet crop meets this

requirement, returning to him at least 60 or 75 dollars an acre yearly, and that with the certainty of a good crop if his water supply is adequate.

THE AMERICAN BEET SUGAR COMPANY

Having in mind this brief review of the sugar situation, we are now prepared to consider the position of the American Beet Sugar Company in the industry.

The company operates six factories, as follows: Oxnard and Chino, California; Rocky Ford, Lamar and Las Animas, Colorado; Grand Island, Nebraska.

The Las Animas factory is leased, the others owned. *The American Beet Sugar Gazette* gives the present capacity of these factories as 5,650 tons of sugar daily. As the capacity of the Grand Island factory is only 350 tons, it will be seen that practically all of the company's plant is very favorably located.

This 5,650 tons is 11 per cent. of the rated capacity of the beet sugar factories of the United States. But rated capacity and actual production are two different propositions. The American Beet Sugar factories are usually operated about 100 days in the year, while many other factories have a much shorter run. Moreover the production of a factory depends upon the beets available, not on its rated capacity.

The secretary of the American Beet Sugar Company estimates his company's production at 18 to 20 per cent. of the total beet sugar of the United States.

The company owns about 22,000 acres of land. This gives it a great advantage over those factories which are entirely dependent on individual farmers for their supply of beets. But of course a vast area of land in addition to this is under cultivation by outside farmers for the purpose of supplying the company's factories with beets.

For the fiscal year ending March 31, 1909, the company earned about 7 per cent. on its $15,000,000 common stock. Since that date the 6 per cent. non-cumulative preferred stock outstanding has been increased from $5,000,000 to about $5,900,000.

On the other hand the equity of the common stock has been increased by the expenditure of large sums in the improvement of the property, and $3,000,000 certificates of indebtedness have been taken up by means of the sale of preferred stock from the treasury, with $700,000 taken from available assets, and $1,500,000 borrowed on short notes. This places the company in a far stronger position than ever before as regards working capital.

The fiscal year 1908-9 was an unfavorable one, owing to insufficient water for irrigation in Colorado. The Lamar factory was not operated at all and the Rocky Ford and Las Animas factories were run for a short period only.

As the company is still in the midst of its yearly campaign, results for the fiscal year 1909-10 cannot be definitely stated; but general conditions are favorable and the company's factories are better prepared for work than ever before.

This company seems to be exceptionally well situated to profit from the increasing use of beet sugar, and the possibilities for future development of the beet sugar industry are almost unlimited.

CAN BEET SUGAR BE MADE ON THE FARM?

The question may be asked, "Are not the beet sugar factories in danger from the invention of methods by which the farmer can make sugar from his own beets, just as the creameries have suffered from the introduction of the farm separator?"

This seems hardly possible. The process of making beet sugar is a complicated and difficult one, requiring expert knowledge and expensive machinery. Briefly, the beets are washed and sliced, and the juice dissolved out by hot water, treated with lime and carbolic acid, filtered, reduced to syrup and crystalized by a series of vacuum pans. To quote from a government report:

"The manufacture of beet sugar is an industry entirely distinct from agriculture and can only be successfully accomplished by the investment of large capital under the direction of skilled artisans. From the nature of the process it is quite improbable that any simple method of home manufacture of beet sugar will ever prove commercially successful."

The beet sugar industry, and especially the American Beet Sugar Company, will bear watching.

Railroad Earnings

By ROGER W. BABSON

RAILROAD earnings are of interest for two reasons: *First,* for forecasting the conditions of the railroads, upon which the prices of securities are directly dependent; *secondly,* for determining and forecasting the condition of general business.

Although stocks of roads barely earning their operating expenses and interest charges, are of some nominal value simply on account of their voting power (and this value is generally considered in the vicinity of about $10 per share, par value $100), yet railroad stocks as a rule are worth very little unless the road is earning money. But whether or not a stock pays a dividend, it is self-evident that the prices must vary as the earning power. Increased earnings forecast higher prices for the securities and reduced earnings forecast lower prices. Manipulation may temporarily force stocks far above or far below their true investment value, but neither high prices nor low prices can artificially be maintained for long. In the end the prices must adjust themselves according to earnings. As most investments are either directly or indirectly in the form of railroad securities, railroad earnings are of great importance to the investor.

For the purpose of forecasting general business conditions, these earnings are also of great interest. As statistics they are so important for this purpose that many merchants consider only bank clearings in addition to railroad earnings in making up a barometer of actual business conditions. There are several reasons for this choice, of which the two following are especially well founded:

(1) Because nearly all bills are paid in checks, bank clearings serve as a barometer of the total amount of sales; but railroad earnings likewise serve as a similar barometer, because practically all goods purchased or sold are shipped on the railroads. If the freight earnings of the United States show an increase, it is very evident that manufacturing and commerce is increasing; and the same is true, conversely, if the freight earnings are decreasing. Therefore the earnings of the railroads may be considered in the same manner as the clearings of the banks.

(2) Another important reason is that not only are railroad conditions a barometer of trade conditions, but to a large extent they are the *basis* of general trade conditions. This is due to the fact that the railroads employ so large a proportion of the working class population of the United States, and that so many industries are absolutely dependent on the railroads for their business. The railroads are the best purchasers of contractors' supplies and contract labor; of iron and steel for rails and bridges; of lumber, for ties and stations; of coal for motive power and heating; of oil for lighting and lubricating; of printer's supplies for time-tables, tickets, etc., etc. In fact this list might be indefinitely extended to show that the prosperity of the country is inseparably connected with the prosperity of the railroads.

Therefore, for the above two reasons, the wise investor and merchant very carefully watches railroad earnings, both for determining the present conditions and for forecasting future conditions. In this connection the history of railroad earnings during the past three depressions may be of interest. During the reaction of 1873, the high level of gross earnings was reached in the same calendar year as the panic itself, but the recession from this high point was fairly evenly spread over the next four years. The recovery, on the contrary, was strikingly rapid. In 1879, only two years

after gross earnings had been at their worst, they made a new high record.

By reducing "maintenance charges" the net earnings increased for a year after the reaction began, the gain between 1873 and 1874 having been almost four per cent. Thereafter net earnings declined along with the gross, to their low level in 1877. In the following two years they recovered even more rapidly than gross earnings, making up most of their lost ground in one year. The reaction between the top and bottom levels in net earnings was practically 10 per cent., but between the two years in which the gross receipts sank from top to bottom levels the difference in net was considerably less. Moreover this decrease was accompanied by an increase in mileage of nearly 12 per cent.

While the panic of 1873 severely checked railroad construction, it by no means checked such development altogether. This crisis followed one of the most pronounced waves of railroad construction ever witnessed. In two years preceding the panic, operated mileage increased by 21,600 miles, or 48 per cent., which, of course, is always a distinct danger signal.

The next depression of 1884-5 shows a difference from other depressions in relation of operating expenses to volume of business. Thus in 1894, the percentage decline in net earnings was a trifle less than that of gross; but in the '80 the lessening volume of traffic was not accompanied by a proportionate reduction in earnings. The comparison of top and bottom levels in this depression follows:

	Mileage		Gross		Net
1883	106,938,		$807,112,780		$291,587,588
1885	123,320		772,567,883		269,493,931
Increase	16.382	Decrease	34,543,897	Decrease	22,093,657
Per cent.	15.3		4.2		7.5

In so serious a crisis as that of the '90s the maximum reaction in railroad earnings was not more than 12 per cent. However, aggregate figures covering so many railroads of such wide diversity of location and condition, tend to obscure the facts as they apply to individual undertakings. Constant addition of new mileage tends to reduce the record of damage sustained by the old roads. The reduction of the figure to a mileage basis would still be an inaccurate test because the earning power of new and additional mileage is naturally low. Furthermore, construction of new roads frequently takes away business from those roads already in existence, and thus tends to lower the average earnings per mile, without any actual decrease in the amount of business. A comparison between fat and lean years could best be made by using figures for identical mileage.

Aggregate railroad earnings reached a new high level in 1893 and again acted as a distinct danger signal, for the crisis itself took place in the second half of that calendar year. The reaction in general business came the next year, when both gross and net immediately reached the low level of that movement. The recovery, though slow, was fairly continuous throughout five or six succeeding years. The extent of the reaction from the top level of 1893 to the bottom level of 1894 is shown in the following figures:

	Mileage		Gross		Net
1893	175,441		$1,207,106,626		$358,648,918
1894	178,054		1,066,943,358		317,757,399
Increase	2,613	Decrease	140,163,268	Decrease	40,891,519
Per cent.	1.5		11.6		11.4

The next high point was reached in 1907, when the aggregate mileage increased to 222,635, the aggregate gross to $2,602,757,503, and the aggregate net to $833,339,600. This gross and net fell off simultaneously with the decrease in business, an aggregate total of about 9 per cent., the low point having been reached in the latter part of the summer of 1908. Since that time there has been a gradual improvement.

It therefore is advisable for merchants

and investors to select about ten large roads, operating in different parts of the country, and systematically tabulate their gross earnings as published each month. As the final figures for all roads are published, they also are interesting to note; but for practical purposes it is much better to tabulate the earnings of only ten.

The following conclusions are suggested relative to "Railroad Earnings." (The tabulation of Railroad Earnings is of great value to the merchant; but the investor must remember that the stock market declines *before* earnings decline, and that prices begin to increase several months *before* earnings show any increase. Therefore this subject is not of as much practical value to the investor as to the merchant for forecasting purposes.)

1. *During a Period of Depression.*

(a) An increase signifies that conditions are improving.

(b) A decrease signifies "uncertainty."

(c) No change usually signifies that conditions are about to improve.

2. *During a Period of Improvement Following a Period of Depression.*

(a) An increase signifies that the improvement in conditions is progressing satisfactorily.

(b) A decrease signifies that the improvement is temporarily checked.

(c) No change signifies nothing definite.

3. *During a Period of Prosperity.*

(a) A great increase calls for caution.

(b) A decrease during a period of prosperity is very extraordinary and usually signifies that the corner has been turned and a reversal of conditions has already commenced.

(c) No change signifies that a period of decline may be expected to begin.

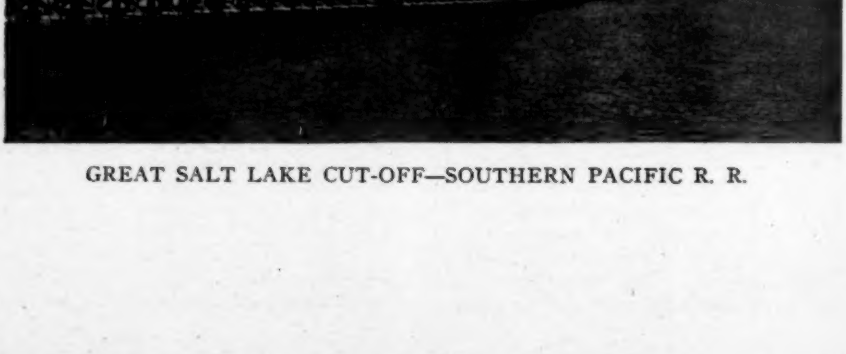
4. *During a Period of Depression Following a Period of Prosperity.*

(a) An increase signifies a temporary check in the decline.

(b) A decrease signifies that conditions are rapidly becoming worse.

(c) No change signifies nothing definite.

Special Note: In using the above rules—as also is true in regard to the rules given under other subjects—one must compare with the corresponding month of the preceding year and not with the preceding month. In other words, the merchant and investor when studying Fundamental Statistics or Business Barometers must not be misled by seasonable changes—which are wholly normal.



GREAT SALT LAKE CUT-OFF—SOUTHERN PACIFIC R. R.

Simpson's Luck

The Man Who Knew All About Reading

SIMPSON was a most voluble chap.

Having spent some four weeks in Wall Street, he had acquired an understanding of the market which was simply astounding. No other customer of the house had ever exhibited such remarkable powers of discernment, nor was there one so willing to explain everything from the innermost workings on the floor to the broad financial plans of the magnates.

He was even considerate enough to go into these details with luckless fellow-clients who had only been down there twenty or thirty years, and who had formed the unfortunate habit of buying stocks in panicky times. These deluded ones, some of whom were by this time deeply regretting their purchases of Union Pacific at par and Southern Pacific at 65, at last saw a ray of hope in Simpson's bull arguments.

Reading was Simpson's Prince Albert—his long suit. Touch him off on the subject of Reading and he was guaranteed to masticate the frayed linen for a straight two hours without running down or stopping for breath. He buttonholed old man Abbott one day at the close and at five-thirty, when the janitor came in to clean up, Simpson was going yet. The old fellow hadn't been able to break away.

He would nail someone next to him on the settee in front of the quotation board and completely saturate him with bull arguments on Reading. Traders missed their markets watching for a chance to get away from him, but he was one of those monologists who seldom use a period.

There was but one man in the office on whom Simpson could make no impression. He was the closest-mouthed, smoothest-running piece of human machinery to be found south of the Singer tower. Without noise or friction, and making only comparatively few transactions a month, he got the money—he "arrived."

These qualities and the fact that he had accumulated a fortune by dealing principally in the gilt-edged stocks, gave him the nickname of "Pullman."

Pullman had a box full of steel-engraved chromos certifying that he was entitled to so many shares of Lackawanna, General Electric, Jersey Central and a bunch of other aristocratic cats and dogs. When asked why he favored such gilt-edged stuff he would reply, laconically: "Blue chips for mine."

It worried Simpson to think Pullman wouldn't either listen to him, talk back, or give an opinion. Simpson was always a bull. He delighted in finding someone who was both bearish and argumentative; then he would let loose a broadside of words, the very volume of which made his victim curl up like a pine shaving.

Pullman didn't believe in having opinions. He claimed they didn't pay. He just sat around and waited for bargains and didn't seem to bother whether they came along this year or next. So when Simpson started off on these conversational debauches, Pullman would dive into his trouserloon pockets, half close his eyes, look amused and walk away.

Simp got tired of this one day and made a dead set to get the old man wound up for once.

He began: "I'm an awful bull on this Reading; ain't you?"

Pullman shrugged.

"I can't see anything but two hundred for it. Can you?"

"P'r'aps," said Pullman.

"Does that mean you think it's going up or down?" persisted Simpson.

"Nope," said Pullman.

"Well, what under the great blue heavens do you suppose makes people buy it at this price, anyway?"

"Hope," said Pullman.

"Then how do you explain all this talk about coal lands and extra dividends?"

"Dope," replied Pullman.

"Now, look here, old chap," coaxed Simpson, "I hear you've got a full line of all the high-priced stocks except Reading. Why don't you take on some of it? It's a stupendous proposition, this Reading. Just think of it—controls the anthracite coal trade and a big factor in the bituminous. Immense earnings. Increasing right along. Could pay larger dividends now if they wanted to. And as for coal lands, why, Reading will be turning out coal a hundred years after all the other coal mines in the country are exhausted!"

"It won't interest me then," said Pullman.

"Of course not, but I want to impress upon you, sir, that all these things haven't begun to be discounted. I get it right straight from Morgan's office that Reading is going to 200 now! Not next month or next year, but right away—on this move! This is the chance of a lifetime. You can pyramid all the way up and a man with your money ought to make a million dollars on the deal. I've got three hundred and fifty shares and the only reason I haven't got four hundred is because the margin clerk foolishly insists on my keeping ten points margin on my line all the time. Now, I want you to buy some Reading and get all your friends to buy it. You know me; I wouldn't come around here trying to steer you into a stock unless I knew it was going up right off quick. Get in! Don't lose a minute."

Pullman never said a word. He strolled away with as little emotion as if he had been listening to a phonograph. But when the windy one's attention was elsewhere, Pullman drew the order clerk out from behind the desk and whispered something to him. That official hurried to the Stock Exchange telephone.

Then, Pullman moseyed over to where Simpson had broken out afresh on Reading, and interrupting him, said: "Simpson, I think I'll take your advice on Reading. I'm going to buy some of it."

"I congratulate you, my dear Pullman. Now you're acting like a sensible man. And just to make you feel dead sure, I'm going to bet you ten dollars that you make more money on it than anything you have touched this year. How much did you take on?"

"I haven't bought it yet. I'm going to wait till you sell."

"Why, man, you're nutty! I'm never going to sell it—at least not below 200. Do you mean to tell me—Oh, you're joking. I'll bet you've bought a thousand shares."

"No, I did not. I don't own a share and won't buy a share till you sell. That goes."

"Well, you'll be paying two hundred for it inside of three months, and I know what I'm talking about, too."

"We'll see," said Pullman.

Reading went to 159¾ on very heavy transactions that day. Then it broke and sagged and acted like a Broadway rounder after a hard night.

Simpson was first puzzled, then amazed, then paralyzed. He was called for margin and sold a hundred shares so he could carry the rest farther down.

Reading hit 150 with a bump, rallied a little and hung around just above that figure for a while.

"If it breaks a hundred and fifty I'm gone," said Simpson. But he couldn't stop talking about it. He vowed he was just as bullish as ever, and that this was only a shakeout.

The stock broke 150 and plunged on to 149, 148½, 148, one afternoon. It looked like a deluge of Reading and seemed like there was no bottom at all to the stock. There was liquidation in the rest of the list, too, and rumors galore. Things certainly did look dark for Simpson.

For once he was speechless. His Reading was margined down to 147½ and if the price ever hit that figure it was all up and he'd have to go beg his rich wife for margin enough to start a new trade.

Reading went to $147\frac{5}{8}$ that afternoon just before the close—within one-eighth of his stop.

"If she touches my stop," said Simpson, "I'll never take another tip or trade on the long side as long as I live."

The stop wasn't caught that day, but it was the next morning. Reading touched a new low level and as the tape recorded $147\frac{1}{2}$, Simpson yelled, "There she goes! There goes my Reading! I'm all out of it now."

"Tough luck, Simpson," said the bystanders. "Hope you'll make up for it on your next trade."

Meanwhile Pullman, who had held in his hand a little slip reading:

BUY

500 Reading

at market

walked quietly over to the order desk and pushed the slip in the window.

His short was covered within a fraction of the bottom.

"I thought he'd show me when to take it in," said he.

Then, winking at the order clerk, he sat down in one of the big rockers

The "Non-Forfeiture Plan"

A Modern Improvement on the Passé and Vulgar Bucketshop

AN interesting document has recently come to THE TICKER office for examination. It is a contract "for the purchase of dividend-paying investment securities" on the "non-forfeiture deferred payment and delivery plan." It is being sent out by a Pennsylvania concern to those who may want to purchase stocks on instalments.

By this contract the purchaser of stocks agrees:

1. To purchase specified shares of stock at the current market price at the time the company receives the order.

2. To remit with the order one-fifth the cost of said stocks and six per cent. interest in advance for one year on the balance still due.

3. To pay said balance in eleven equal monthly instalments.

4. When the payments are completed the certificate of stock is to be delivered to the purchaser, together with all accrued dividends in cash.

5. The contract is non-assignable.

6. If any payment is defaulted for more than three days the contract as above set forth is void; but as many shares of the stock will be delivered to the purchaser as the money already paid in would purchase at the time the contract was made, unless the price of the stock has in the meantime declined. In the latter case the decreased market value of the entire amount of stock originally contracted for will be deducted from the amount the purchaser has paid in, and stock will be delivered to him equal in value to the balance of his payments which is left after such deduction.

The first thing to be noticed about this remarkable document is that the company does not agree to purchase the stock at any specified time. Evidently they are under no obligation to buy any stock until the twelve months is up and the last payment made. In the meantime the money of the trusting purchaser is in the company's hands—for safe keeping.

The would-be purchaser of the "dividend-paying investment securities" is expected to cheerfully leave his money on deposit with the company during that period with nothing to show for it except the company's contract and receipts. The

company is not an authorized bank nor is it apparently a member of any exchange. Clearly the purchaser is expected to be of a guileless and trusting disposition.

The next interesting point is that if the company should purchase stock for all its customers at the time their contracts were signed, the first panic which made it necessary for the company to pay for the full amount of stock in cash, would bankrupt it, unless its supply of cash was very large in proportion to the number of contracts entered into. However, perhaps this point is unimportant, as the contract does not require the company to buy the stock when the contract is signed. The company merely agrees to deliver the stock "when the last payment is made."

A third pecular feature is the collection of six per cent. interest in advance for one year on the entire balance due, although this balance is to be paid off in eleven equal monthly payments. This makes the rate of interest nearly twelve per cent.—payable in advance.

Fourth, as the contract is non-assignable the purchaser cannot use it as a basis of credit for raising money to meet the monthly instalments.

Fifth, in case any payment is defaulted, "for more than three days"—here is where the contract begins to grow interesting—stock to the value of the money paid in is to be delivered to the purchaser; BUT if the price of the stock at the time of default is higher than when the contract was made the purchaser derives no benefit from the advance, except on the small amount of stock delivered to him. If, however, the price of the stock is lower than when the contract was made, the purchaser loses the entire amount of the decline on the full quantity of stock contracted for. Then he gets certificates equal to the balance of his money—AT THE PRICE SPECIFIED IN THE CONTRACT.

If the price goes up, he gets only a slight benefit from the advance, in any case. If it goes down, he loses the full amount of the decline—and then takes stock for the rest of his money at the price of the stock BEFORE THE DECLINE.

Sixth, there is no provision by which the purchaser of the stock can get back a balance equal to a fractional part of the value of a share of stock.

And the company has the nerve to call this clause, as discussed above, the "non-forfeiture clause"!

Finally the contract says that the company is "to deliver to him, or to any person whom he may name in writing" the certificate for the stock when paid for. Presumably this means "to deliver or mail," but why doesn't it say so?

Now how do you suppose this interesting scheme is worked? Here is our guess.

The company buckets the business when the order is received. Practically all their customers are people who have but little money and a limited income, for the reason that people having considerable money would not be obliged to buy stocks on the instalment plan. As a result most of the purchasers default. When they ask for the certificate of stock equal to the amount of money paid in, first, deduction is made for the decline in the price, if any; then they are probably asked to remit enough more to cover the purchase of an even number of shares. If they do this the company buys the stock and presumably sends it to them. Many purchasers, however, get disgusted and drop the whole matter.

You will see that this is an enormous improvement on the bucketshop—from the company's point of view. In the ordinary bucketshop if the stock goes up you are supposed to get your profit—if the bucketshop is still there; but under the "non-forfeiture clause" of this contract you get practically no profit if the stock advances, but you do lose if it declines. This has the old-fashioned bucketshop "beaten to a frazzle." There is no danger that this company will "go broke on a bull market." It is certainly an ideal contract—from the bucketshop's point of view!

The "non-forfeiture" part of this contract evidently applies strictly to the house—they apparently forfeit nothing, unless, perhaps, their own self-respect.

The Investment Digest

FOLLOWING is a list of publications, etc., from which this Digest is prepared. The number representing each authority will be found in brackets at the end of the items. Where the name of a banking or brokerage house is given the matter is taken from their special letter or circular: (1) *Wall Street Journal;* (2) *Boston News Bureau;* (3) *Journal of Commerce;* (4) N. Y. *Commercial;* (5) N. Y. *Evening Mail;* (6) N. Y. *Evening Post;* (7) *Com. and Fin. Chronicle;* (8) *Financial World;* (9) *Railway World;* (10) *U. S. Investor;* (11) *Wall St. Summary;* (12) *Commercial West;* (13) Hayden, Stone & Co.; (14) John Moody's Letter; (15) Eugene Meyer, Jr., & Co.; (16) Thomas Gibson's Letter; (17) J. S. Bache & Co.'s Weekly Fin. Rec.; (18) W. C. Langley & Co.; (19) Wrenn Bros. & Co.; (20) Boston *Commercial;* (21) Robt. Goodbody & Co.; (22) *Moody's Magazine;* (23) London *Statist;* (24) Swartwout & Appenzellar; (25) Kissel, Kinnicutt & Co.; (26) Alfred Mestre & Co.; (27) N. Y. *Evening Sun;* (28) N. Y. *Times;* (29) *Moody's Manual;* (30) N. Y. *Journal;* (31) N. Y. *Morning Sun;* (32) *Financial Age;* (33) N. Y. *World.* Neither THE TICKER nor the above authorities guarantee the information, but it is from sources considered trustworthy.

Allis-Chalmers.—In best previous yr. Allis-Chal. turned out $18,000,000 worth of goods. Plants now equipped to handle $30,000,000 of business. Management confident that in next 18 mos. orders will be at the rate of $25,000,000 yr. Unless co. elects to do add. financing, surp. earn., after int. and depr., must be used to strengthen work. cap. rather than be paid out in pfd. div. (2)

Amalgamated Copper.—Walker's "Copper Letter" says: "The Am. prod. of copper is inc. rapidly, but in no greater ratio than on sev. prev. occasions. World's prod. is now approx. 1,800,000,000 lbs. an. Almost as much new copper as is now prod. by entire Lake Sup. dist. must come to mkt. an., therefore, to register the normal inc. of 10 p. c. which in the past has been readily absorbed by the growth of consumption. That prod. will inc. as much as 180,000,000 lbs. this yr. is doubtful. To continue to maintain the normal inc. next yr.'s prod. must inc. nearly 200,000,000 lbs. and go on growing in like ratio. Notwithstanding that there are many new copper prop. now being devel., it is doubtful if more than this ratio of inc. can be maintd."

Am. Beet Sugar.—Official states that affairs of corp. are in satisfactory condition. Western beet crop will be large one, as extensive planting has been done by the co., and weather con. entirely fav. to growth. Impossible to make est. of earn., but it would not be surprising if the fis. yr. end. March 31, '10, proved even more satisf. than that of '09, which, with $7,135,-327 gross, marked a record season. (1)

Am. Car & Foundry.—Plants running nearly full capy.," says officer of the co., "and large vol. of biz. ahead. However, bookings thus far are not what they will be later. Next two or three yrs. should be busy ones. R. Rs. are far behind in new equip. req." (11)

Am. Agri. Chemical.—Official an. that div. action on com. stk. had been postponed until next quar. meetg. in Dec. is accepted as positive assurance that inaug. of com. divs. is about to be accomp. For fiscal yr. end. June 30 last co. showed a surp. after paymt. of 6 p. c. pfd. divs. of $1,277,541, which is equal to over 7 p. c. on com. stk. About 6 p. c. on the com. was earned in '08 and in '07. The co.'s sales to date for cur. yr. understood to be larger than last yr. (11)

Am. Cotton Oil.—Director says co. has earned full yr.'s div. on the pfd. stk., the int. on the debentures and about 10 1-2 p. c. on the com. stk. The biz. shows inc. in its various branches. Sentiment in the board in favor of a payment of 6 p. c. on the com. stk. for the yr. at the meetg. early next mo. (11)

Am. Malting.—Pres. of the co. states: "Biz. is ahead of last yr. The prohib. wave, so far as manuf. of beer is concern., has not affected the sales. Vol. of consumption is large as ever." (11)——An interest of Am. Malt. states that although net earn. for fisc. yr. end. Aug. 31 showed a consid. dec. as comp. with '08, surp. avail. for divs. is in excess of 5 p. c. on the $9,-000,000 pfd. stk., the rate now being paid. (1)

Atchison, Topeka & S. F.—N. Y. Stk. Exch. has listed $25,297,000 conv. 4 p. c. bonds of '09 and auth. $2,961,000 addl. to be added to list from time to time as pd. for in full and del'd, making total amt. auth. to be listed $28,258,000.——Pres. Ripley, in an. report, says: "During the yr. gross oper. rev. were $3,647,920 in excess

of prev. yr. and only $77,590 less than those of the banner yr. end. June 30, '07, while oper. inc. was largest in history. Owing to imp. work. con. due to liberal expend. made, it has been possible to make large reduc. in oper. costs without allowing road or equip. to deteriorate." Net inc. in cap. acct. during the yr. amtd. to $5,639,100. The co. held in its treas. on June 30, '09, $30,-036,504 cash and had avail. over $3,765,000 gen. mtge. bonds. The co. also has in the treas. unpledged a large amt. of stks. and bonds of other cos. In add. to cash in treas. at close of yr., it was evident that further large sums would be req. for extensions and imp. contemp. in near future. Therefore directors offered st'kholders right to subs. to 4 p. c. conv. gold bonds at 104 and int. Inc. from all sources, $95,-424,092, against $91,289,771 a yr. ago, while bal. for yr. amtd. to $20,417,991, an inc. of $4,739,105.——Expansion in gross inc. in past 2 yrs. has hardly been exceeded even by So. Pac.——Decl. of semi-an. div. of 3 p. c. on com. again places that stk. on 6 p. c. basis. (2)

Am. Smelting and Ref.—Report issued as of April 30, '09, shows that oper. of the co. are showing inc. activity over depressed period of '08, although total earns. exhibited an actual dec. of $256,895, or 2.6 p. c. surp. on hand at end of fiscal yr. showed inc. of $1,843,050, amtg. to 3 p. c. on com. stk. (10)

Am. Tel. & Tel. Co.—The Am. Tel. Co. has acq. nearly $16,000.000 of N. Y. Tel. stk. owned by West. Union. The N. Y. Tel. Co. is largest and in some respects most impt. of Bell subsids. Of its $50,000,-000 stk., 64 p. c., or $32,000,000, is owned by Am. Tel. Co. Of $18,000,000 min. stk., about $16,000,000 has for yrs. been prop. of W. U., and it is this stk. which Pres. Vail's diplomacy has at last secured. This insures the consol. of all the Bell subsid. operating in N. Y. State. The cos. involved incl. N. Y. Tel., Hudson River Tel., Empire State, N. Y. & Penn., Cen. N. Y., Bell of Buffalo, N. Y. & N. J., with the N. Y. Tel. Co. as the medium of merger. (2)——An inc. in the cap. stk. of the N. Y. Tel. Co. from $50,000,000 to $100,000,000 is shown in a certif. filed.——A first mtg. for $75,000,000 is given by the N. Y. Tel. Co. to the Farmers' Loan and Trust Co. to secure proposed bond issue. Although mtge. is for $75,000,000, prop. issue of 4½ p. c. bonds is understood to be only $25.000,000.

Am. Woolen.—N. Y. Stk. Exch. has granted appl'n of co. to transfer from the unlisted dept. to the reg. list its $35,000,000 pfd. and $29,501,100 com. stk. of an auth. issue of $40,000,000; also for the listing of $5,000,000 add. pfd. on notice of issuance under terms of a cir. to st'kholders dated July 19, '09. With the foregoing is submitted a statement of inc. acct. for yr. end. June 30, '08, of the Wood Worsted Mills, owned by the Am. Woolen Co.: Net sales, $8,916,634; total exp., $8,615,592; surp. $301,042; prev. surp., $478,686; total surp., $779,728; carried to sinking fund, $500,000. profit and loss surp., $279,728. (11)

Baltimore & Ohio.—Statement for Aug and 2 mos. end. Aug. 31, rep. a continuation of recovery from low levels in '08. From June to Dec., '08, incl., gross showed dec., comp. with prev. yr., of approx. $1,-000,000 a mo., and for 6 mos. a decl. of $5,-920,219. Net, however, inc. $350,000. (2)

Bethlehem Steel.—A program of new const'n has been determined upon. The impr. in prosp. and under way will cost about $6,000,000 and will double capacity. (32) Earn. consid. more than 7 p. c. a yr. on pfd. and is in pos. to pay div. but there is no likelihood that st'kholders will rec. anything until const. work under way is completed. (2)——The Midvale and Bethlehem Steel cos. will receive contracts under proposals recently opened by Navy Dept. for furnishing large no. of guns. The proposals call for const. of 10 12-inch, 12 6-inch and 20 5-inch guns, cost of which will approximate $1,000,000. Contracts will be divided, so that each co. may receive half. (11)

Brooklyn Rapid Transit.—The co.'s gross returns for 75 days since July 1, when new fisc. yr. began, have been bet. $5,000 and $6,000 a day in excess of earns. for corres. period yr. ago. This means total inc. to date of $450,000. At this rate gross for fisc. yr. would exceed prev. yr. by $2,000,-000. That intention is to place stk. on 5 p. c. div. basis is admitted by director of co. Earn. are inc. so rapidly that co. is in position to inc. div. at any time. (11)

Canadian Pacific.—According to advices from Montreal, Can. Pac. will issue $30,000,-000 new stk., which will be offered to stockholders at 125. Stockholders will have priv. of subs. to the new stk. to extent of 20 p. c. of present holdgs. This issue is part of an issue of $50,000,000 prev. auth. and decision to offer it at a prem. is departure from estab. policy of co., which has been to offer new stk. to st'kholders at par. (20)

Central Leather.—J. B. Colgate & Co., who rep. about 30,000 shs. of the pfd. stk. of U. S. Leather Co., have made public terms of settlemt. reached with Cent. Leather Co.: "That for each sh. of pfd. stk. of the U. S. L. Co. we are to receive $130, payable: $50 in first mtge. bonds of Cent. Co. at par; $55 in pfd. stk. of Cent. Co. at 110; $25 in cash; int. and divs. on the securities and cash to be adjusted. It is optional whether you accept these terms or those of new merger agreemt." St'kholders are given until Oct. 15, '09, to accept Colgate terms. Their option under merger agreemt. is to accept 50 p. c. in bonds, 50 p. c. in pfd. stk., 23½ p. c. in com. stk. and $10 in cash for each sh. exch. The wiping out of U. S. stk. not only annuls the obl. to pay a large sum accum. on acct. of U. S. pfd. divs., but turns into the Cent. treas. surp. earn. on the U. S. Co. Acc. to the gen. bal.

sheet of the U. S. Co. as of Dec. 31, 1908, its surp. amtd. to $24,191,369. (11)——For purpose of preserv. trade name of the U. S. Leather Co., which was merged with the Cent. Leather Co., the directors of the latter have incorp. a new U. S. Leather Co. The incorp. prevents any other co. from assumg. the name of U. S. Leather Co. (11)

Central of Georgia.—N. Y. Stock Exch. has listed $300,000 addl. consol. mtge. 5 p. c. bonds, due 1945, being bal. of the $18,500,000 auth. under the mtge.

Chesapeake & Ohio.—An. report for fisc. yr. end. June 30 makes fav. exhibit. Besides earning 6.39 p. c. on its cap. stk., which was placed upon a 4 p. c. div. basis, C. & O. placed its finan. con. in exc. shape, and is able to look to cur. new fisc. yr. with confi. as regards inc. biz. and larger earn. cap. Adds. as well as replacemts. of equip. were chgd. to oper. exp. Liberal expend. of surplus inc. for payment of equip. tr. notes, and imp., was contin. Expense of transp. was red. to low ratio. (13)——It may be def. stated that co. has purch. con. of the Chic., Cin. & L'ville. Understood that purch. price is $9,000,000, which will be raised by issue of pfd. stk. of the C. & O. (11)——Gross for Aug. inc. $350,000 over Aug., '08, and only $24,000 behind Aug., '07. Net shows gain of $166,000 over Aug., '08, and $52,000 over '07. (2)

Chicago & Alton.—Alton's inc. acct. for yr. end. June 30 is very satis. Gross inc. $412,984 over depression yr., and only $298,744 behind most prosp. period in late yrs, '07. With $400,000 more biz., road managed to oper. for $400,000 less. Oper'g ratio was red. from 64.6 p. c. in '08 to 59.2 p. c. in '09. As a result, net, $5,092,836, is highest in road's history. Alton, having earned surp. over chgs. of $1,666,261, paid out in divs. $1,633,816, leaving only $32,445 to profit and loss. Earned 4.2 p. c. on $19,542,800 com. and paid 4 p. c. (2)

Chicago, Milwaukee & St. Paul.—On January 1 the co. has $17,102,000 bonds maturing, bearing int. at rate of 5, 6 and 7 p. c., and not unlikely that they will be taken up by new issue 4 p. c. bonds. In view of fact that on June 1 next has $2,155,000 5s. and on July 1 $2,840,000 6s. fall. due, would seem fair to assume that amt. of new bonds offered will be $25,000,000. Through issuance of new 4 p. c. bonds in place of maturing obli., there will be a yrly. sav. in int. chgs. of $388,940 on Jan. 1 expirations and $71,500 on June and July 1 maturities, making total an. red. in int. obli. of $460,440. (11)

Chicago & Northwest.—Balance of surp. over all chgs. and 8 p. c. pfd. stk. div. for last fisc. yr. totaled $12,143,000, equal to 12.19 p. c. on present $99,612,300 outst. com. stk., as comp. with 11.89 p. c. in yr. prev. This was not avail. for the junior issue, as the pfd. stk. has a prior right to 7 p. c. in divs.; then the com., 7 p. c., after which the pfd. is entitled to an add. 3 p. c.; then the com. 3 p. c., and after that both sh. alike. The total amt. avail. for divs. at the close of the last fisc. yr. was $13,945,294. Were the co. to pay 10 p. c. each on both classes of stk., the div. req. would total $12,155,800. (11)

Colorado Southern.—Col. & So. reports for Aug. an inc. in surp. earn. of 44 p. c. For 2 mos. of the cur. yr. the inc. is 11 p. c., and if this avge. should be main., the com. stk. would earn this yr. about 6 p. c. In view of actual earngs., the stks. and bonds of this co. are mod. in price and com. attractive. While avge. price of active stks. has adv. 14 points since Jan., these stks., without any unfav. devel., have declined from 5 to 15 points. The com. stk. is now consid. below the purch. price which it is understood the Burlington paid last Dec. (18).

Colorado Fuel & Iron.—Net earn. for the fisc. yr. end. June 30 made best showing of any yr. since '06, and with excep. of two yrs., the largest bal. for divs. after paying about $2,600,000 for int., taxes and sinking fund chgs., of any yr. since the org. of the co. Bal. for divs. of $858,375 is greater than a yr. ago, and shows bal. for the $34,235,500 com., after allowing 8 p. c. on the $2,000,000 pfd., of 2.4 p. c. At the present time co. is oper. its steel dept. at about 85 p. c. of full cap. (2)

Consolidated Gas.—The understg. is that the new pres. is arranging a seg. of prop. which will enable it to pay a much larger div. When the 80-cent gas law became operative, the sup. court decided that the co. was entitled to only a 6 p. c. inc. on the val. of its gas plant and franchise and fixed this at $67,000,000. The presc. 6 p. c. on this amt. would be about 4 p. c. on the co.'s cap. of $100,000,000, but, as the co. also owns all of the $45,000,000 of cap. stk. of the Edison Co., which is understood to earn 10 p. c., it obtains the equiv. of 4½ p. c. on its own cap. stk. from this source. (4)

Crucible Steel.—Year end. Aug. 31, 1909, the co. shows a net manuf. inc. of $1,995,408, and other inc. of $29,518, making total net $2,024,926. This fig., when comp. with the deficit of $520,025 in 1908, makes it apparent that the co. is regaining its normal earning power. After paying $10,000 int. on mtges., there remained $2,014,926 avail. for divs., equal to 8.25 p. c. earned on the $24,436,500 pfd. stk. Divs. of $549,821, or 2¼ p. c., were disb. during the yr. The total amt. of divs. paid on the pfd., which is 7 p. c. cum., during the nine yrs. that the co. has been in oper., agg. $8,308,410, or 34 p. c. This leaves $7,086,585, or 29 p. c., still due. Divs. were passed entirely in 1908. (1)

Delaware & Hudson.—The report shows gross earn. of r. r. for Aug. of $1,662,778, an inc. of $85,663, and net earn. of $697,276, an inc. of $8,837. Total net after exp. and taxes, incl. r. r. and coal deptmts., $615,778, a dec. of $96,456. R. R. gross for 8 mos. end. Aug. 31, $12,473,592, inc. $592,986; net, $4,708,502, inc. $225,078. Total net after exp. and taxes, incl. r. r. and coal deptmts., $4,765,862, inc. $113,373. (1)

Erie.—Erie has made a recov. of earning power as rapid as any Eastern system. Its surp. after chgs. is about $3,000,000, while the 4 p. c. div. req. on the $47,892,400 first pfd., and $16,000,000 second pfd., would be less than $2,400,000. (13)

General Electric.—Directors consider 8 p. c. a fair return and any surp. above this should be reinvested in plant or working cap. to take care of co.'s big vol. of sales. It is probable that a distrib. in the form of stock div. will come the next two or three yrs. In 1907 G. E. issued $12,875,000 5 p. c. conv. bonds, proceeds being used for work. cap. At the time bonds were sold subs. were given to understand that in add. to prop. and quick assets, bondholders would be secured by the then $15,116,796 surp. of the co. This meant that until conv. date, June 1, '11, the surp. then existing could not be divided for the benefit of st'kholders. What was meant was that subs. to the bonds should share propor. with st'kholders in any future stk. div. At close of last fiscal yr., Jan. 31, '09, co. had a surplus of $16,102,062, equal to $24 per sh. on the $65,178,000 cap. stk. outst. (2) ——Now oper. at 90 p. c. of capacity.—— For the past six yrs., it is claimed, the co. has earned an avge. of 16 p. c. per an. The total surp. of the co., over $16,000,000, exceeds the total funded debt of the co., and its net work. cap. is about $79,000,000. (3)

Granby.—Gen. man. says when the co. is able to place its enlarged smelter cap. in com.—in about a mo.—it should be able to treat 4,000 tons of ore per day and place its copper in N. Y. at a net cost of 8½ cts. An output of 4,000 tons of ore per day should insure a copper prod. of 35,000,000 lbs. per an. For yr. end. June 30 the co. prod. 22,000,000 lbs. of copper and earned about $4.50 per sh. (2)

Hocking Valley.—Report for yr. end. June 30, '09, consid. a most satisf. showing and avge. well with any yr. in its history. Gross earn. were $5,929,755, an inc. of $87,989, or 1.5 p. c. After div. of 4 p. c. upon $15,000,000 pfd., there was a surp. of $1,515,989 avail. for the $11,000,000 com., equal to 7.6 p. c. and there was paid out of this amt. 4 p. c. (1)

Illinois Cent.—Gross earn., yr. end. June 30, '08, $52,830,427; oper. exp., $37,893,479; net earn., $14,936,948; other inc., $6,715,754; total inc., $21,652,702; bal. after fixed chgs., $7,996,390. Divs. at rate of 7 p. c. are paid on the $109,296,000 cap. stk. outst., from 4 p. c. to 11 p. c. having been distrib. without intermission since 1863. (10)

Int. Met.—During seven days end. Oct. 1 the co. carried 12,964,716 passengers. It is est. that on Sat. over 2,000,000 add. pass. paid fare, bringing the eight days' total to about 15,000,000. The co. will distrib. $25,000 to employees for their strenuous work in handling the crowds during the celebration. (2)

Int. Harvester Co.—Yr. end. Dec. 31, '08, the undiv. prof. were eq. to 7.80 p. c. on the com.; in '07, 6.54 p. c., and in '06, 5.08 p. c. Earn. in the cur. yr. are likely to show a subst. inc. over prec. yr., and it would not be surprising if an initial quarterly div. of 1 p. c. or 1¼ p. c. was declared on the com. before the close of the yr. The surp. of the co. from '05 to '08 incl. inc. from $5,578,000 to $16,691,000. At the pres. time the surp. is prob. in excess of $20,000,000. (1)

Louisville & Nashville.—The L. & N. is in a strong position in the matter of cash, revealed in the bal. sheet, which shows cash on hand and on deposit of nearly $14,000,000. Cur. assets on June 30 last stood at about $20,600,000, whiche current liab. amted. to but $14,500,000, leaving a bal. of some $6,000,000 net work. cap. (11)

Mackay Cos.—The Mackay Cos. is the largest st'holder of the Am. Tel. & Tel. Co. The figures show that the M. Cos. has standing in its name 82,408 shs., worth $11,701,936, which is several million dollars more than cost. In fact, owns and controls 135,000 shares. Another fact is that the Com. Cable Co. is itself a large owner of sec., the amt. on Dec. 31 last being $10,525,489. These sec. consist in large part of high grade r. r. and other inv. bonds and stks. Altogether, the M. Cos. system has $20,000,000 to $25,000,000 mkt. val. of inv. in other cos., besides its own cable and tel. lines. (2)

Minn., St. P. and S. Ste. Marie.—The pamphlet report of co. for fisc. yr. end. June 30 shows the co. has cash on hand amtg. to $4,047,560, as comp. with $1,640,755 yr prev. Cash and cur. assets amtd. to $5,732,532, as comp. with $2,703,209 in yr. prev. and cur. liab. totaled $3,322,544, comp. with $1,295,405 on June 30, '08. Bal. after ded. of pfd. divs. is equal to 11.58 p. c. on the $16,800,000 com. stk., as comp. with 9 p. c. in the yr. prev. (11) N. Y. Stock Exch. has listed $1,005,000 addl. 1st consol. 4 p. c. bonds, due 1938, making total listed to date $45,891,000.

Missouri, Kan. & Texas.—Home seekers are flocking to the ter. served by the co., and the U. S. Gov. having removed restrict. from sale of 5,000,000 acres of fertile land in Okla., will naturally stim. an inc. in pop. and produce greater rev. for M., K. & T. (11)——The report for yr. end. June 30 shows an inc. of $2,017,245, or 8.7 p. c., in gross earn., and $781,946, or 1.4 p. c., in net earn. Oper. exp. inc. $1,235,298, or 7.5 p. c. Surp., after paymt. of divs. on pfd., was equal to 2-3 p. c. on com., as against 2-5 p. c. earned last year (20)—Suit against the U. S. for $61,287,800, one of the largest ever brought against the Gov., was brought some time ago by the co., in which it was alleged that by Acts of Congress the U. S. had agreed to convey to it the title to every alternate sec. of land to the ext. of 10 sec. a mile on each side of its line thro. the Indian Ter. and Kan. (11)

Missouri Pacific.—Mo. Pac. was oper. for returns of the present, instead of more perm. devel. It has a large agg. ownership of sec. in the Denver & Rio G., Tex-

as & Pac., and Wabash. As regards present earn. power, Mo. Pac. is showing about 3 p. c. earn. on its stk. Gross earn. are inc. (13)

National Lead.—Business shows a continuation each mo. of steady gains since Jan. All plants are running at cap. and output finds a ready mkt. The directors meet the middle of Nov. for div. action. It is expected that there will be no change from the usual quar. rates of 1¾ p. c. and 1¼ p. c. on the pfd. and com. stks. respectively. (2)

National En. and Stamping.—Bis. of the co. at present is greater than ever before. It has been in very large vol. during the past four mos. and fully eq. to records of boom yr. of '06. All the factories are running at cap. Officer of the co. says: "The fin. position of the co. is impregnable. We have about $1,250,000 in cash or in a form that can readily be turned into cash, and debts are small, being but a part of the current exp., the greater part of which are discounted before falling due." When the 5s were issued, floating debt was elim. and the work. cap. inc. At time of last an. rep., June 30, '09, it was $2,739,391, but subs. finan. has inc. it to about $4,500,000. (1)

N. Y., New Haven & Hartford.—Oct. 27 the st'kholders will auth. an inc. in the cap. stk. by 400,000 shs. Stock is to be offered at $125, which subsc. priv. also attaches to the holders of the 6 p. c. and 3½ p. c. conv. deb. There are approx. $30,000,000 3½ p. c. deb. conv. into stk. at $150 bet. Jan. 1, '11, and Jan. 1, '16. $38,585,000 6 p. c. deb. conv. into stk. at par after Jan. 15, '23. (2)

Pacific Tel. & Tel.—Co. is the Pacific coast subsid. of the Am. Tel. & Tel. Co. It had on May 1 about 360,000 subsc., and was cap. for $50,000,000, of which $32,000,000 was 6 p. c. cum. pfd. and $18,000,000 com. There is outst. $18,000,000 of the pfd. and all of the com. There is also a 5 p. c. bond issue, of which $20,000,000 is outst. The last report shows that after the paymt. of the full pfd. div. there was a bal. for the com. of nearly 4 p. c. (20)

Pacific Coast Extension.—The length of the Pac. Coast Ext. will be about 1900 miles, approx. 600 miles will be branch lines; and assuming $10,660 as gross per mile, and 60.51 p. c. as the oper. ratio, net earn. should amt. to little more than $8,000,000; and this added to the net which old St. Paul system is actually earn., should bring total net inc. up to about $29,500,000. (19)

Pennsylvania.—Penn. has crossed 150, the conv. price of the $99,616,000 gold 3½ p. c. bonds, dated Oct. 2, '05, and due in '15. Orig. the issue was $100,000,000, but up to Dec. 31, '07, $384.000 had been conv.—— For the conv. of those desiring to convert the 3½ conv. bonds of the co. into stk., the co. has arranged that when the bonds are del. at the office of the co. at No. 85 Cedar st., N. Y., before 2.15 p. m., the equiv. certif. for shs. of stk. will be del. after 1 o'clock next day. (11)——That the co. will offer new stk. at par is expected in the best inf. quar. But whatever steps are taken, they must be judged by the fact that the co. is exch. $200,000,000 of bonded debt for approx. $161,000,000 of stk., a net saving of $39,000,000 in cap. (1)

Pullman.—Co. showed a satisfactory recovery in earn. for the fisc. yr. ended June 30 last, the bal. for divs. again crossing the $10,000,000 mark, below which it was driven temp. by the '07 depres. Earn. for the stk. are expected to show a total of $10,500,000, or 10.5 p. c., comp. with $9,788,525, or 9.7 p. c. the '08 fisc. 12 mos. The co. has added to surp. over $2,200,000, against approximately $1,700,000 for '08. At present the co. is flooded with pass. car orders, its bookings ext. at least two yrs. ahead, with the co. unable to guar. specific time of del. Co. is about to put in oper. its new steel car bldg. plants costing $3,000,000, which work has been in progress for a yr. Plants will have a cap. of 90 steel pass. cars mo. and nearly 1,500 steel frt. cars mo., making total prod. cap. nearly 50,000 cars yrly. of all kinds, against 25,000, the largest ever const. (2)

Railway Steel Springs.—Earnings are much larger than at this time last yr., and there is a good margin over the 7 p. c. req. for the pfd. The co.'s plants are operating at full cap., and a big yr. is indicated. (2)

Reading.—The pamphlet report for the fisc. yr. end. June 30 last has been issued. It covers oper. of that co. and also the Phil. & Reading Railway Co. and the Phil. & Reading Coal & Iron Co. P. & L. surp., $28,796,721, against $25,827,474; inc., $2,969,246. The amt. avail. for divs. on the com. stk., after ded. of divs. on the pfd. stks., and for imp., was eq. to 8.24 p. c., as comp. with 8.72 p. c. in the yr. prev., 7.85 p. c. in the yr. prev. to that, and 6.48 p. c. in the '06 fisc. yr. (11)

Republic Steel.—The present unmanuf. tonnage of steel prod. of various descrip. now accumu. for del. is almost at highest point reached during the boom yr. of '07. The co. is now two mos. behind in shipmts. (11)——N. Y. Stock Exch. auth. the $4,148,000 pfd. stk. recently sold to be added to the list Oct. 1st as pd. in full, making total amt. auth. to be listed $25,000,000.—— "It is est. that upon compl. of the imp. that the steel ingot cap. will be inc. about 40 p. c., which will give the co. a total prod. of ingots of 1,000,000 tons per an. and of pig iron, 1,250,000 tons." The co., in fact, will rank next to the U. S. Steel Corp. as a producer of iron. (1)

Rock Island.—The Chic., R. I. and Pac. has sold $5,300,000 4½ p. c. equip. gold notes, series C. The issue will mature in 20 semi-an. instal. of $265,000 each from April 1, 1910, to Oct. 1, 1919. (3)——N. Y. Stock Ecxh. listed $1,494,000 addl. ref. mtg. 4 p. c. bonds, due 1934, used to ref. series G bonds. Mat. May 1, '09, making total listed to date $79,922,000.——Report for Aug.

showed that R. I. lines alone had recorded gains of $643,005 in gross rev. and of $260,-282 in net inc., while the comb. R. I.-'Frisco lines had effected gains of $1,273,819 in gross rev. and $510,626 in net oper. inc. (4)

Sears, Roebuck & Co.—Earn. of this co. are gen. regarded as the best criterion of gen. biz. In Aug. earn. were 33 p. c. greater than a yr. ago and it is esti. that for the yr. '09 co. will do a gross biz. of $55,000,000, as comp. with $40,000,000 last yr. The com. stock of $30,000,000 outst. has been rec. divs. of $4 per an. The inc. in biz. has been phenomenal, which now requires 400 girls to open the co.'s mail. It is officially stated that next quar. div. on com. stk., to be payable Nov. 15, will be 1½ p. c., or at the rate of 6 p. c. per an. (2)

Seaboard Air Line.—The co. has been in receivers' hands for 18 months at time of making up report, on June 30. For the past fisc. yr., which was below normal, this system inc. its gross rev. by $786,026, or 4.4 p. c., making them $18,338,873. Exp. were cut down by $604,294, or 4.2 p. c., leaving net of $4,847,609. This is $1,390,320 more than in 1907-8, an inc. of 40.2 p. c. There was a small inc. in other inc. and a small dec. in rentals, etc., so that the total net inc. avail. for int. was $4,765,631, an inc. of $1,420,692 over last yr. (1)

St. Louis & Southwestern.—The co. on June 30, 1909, had $1,479,932 cash on hand, against $1,369,229 on June 30, 1908. Total cur. assets agg. $7,020,982, against $6,098,-533. Total cur. liab. were $3,037,910, against $3,268,038, excl. of reserve accts., making the excess of cur. assets over liab. $3,983,-072, against $2,830,495. There were in the treas. unpledged stks. and bonds amtg. to $3,562,850, of which $106,350 was its own pfd. stk., $143,900 com. stk. and $1,933,100 first consol. mtge. 4 p. c. bonds. Incl. these unpledged sec. in assets, and excl. the item of "supplies on hand," net work. cap. was $4,024,286, against $4,450,795 in '08. (1)

Sloss-Sheffield.—In nine mos. end. Aug. 31, the co. has earned divs. of 7 p. c. on $6,700,000 pfd. stk. and 5 p. c. on $10,000,000 com. for the entire yr. Three mos. yet remain and as all the earn. during those mos. after the ded. of oper. exp., bond int. and taxes will be appl. to divs. on the com., it seems conserv. to estimate that the co. will show over eight p. c. earned on that issue. The position of the co. is strong in every respect. The co. has on hand a large amt. of cash. (1)

Southern Pacific.—At a meeting of the directors action was taken identical with that at the U. Pac. meeting. This incl. the elec. of Judge Lovett as chairman of the exec. com., to succeed Mr. Harriman, and the elec. as directors of Jacob H. Schiff and William Rockefeller. These directors will also become members of the exec. com. (3) ——The co. in the '09 fisc. yr., with net earn. of approx. $45,000,000, an inc. of more than $6,000,000 over the 1908 fisc. yr., earn. a surp. over chgs. of about $27,000,000, which is equal to 10½ p. c. on the outst. stk. Since the close of the fisc. yr. gross earn. have inc. at the rate of about $1,100,-000 a mo., while net earn. have inc. at the rate of $4,500,000 a yr. (11)

Southern Railway.—Earnings continue to show marked gains over corres. periods a yr. ago. For the first week in Sept. gross earn. inc. $135,633, making for the fisc. yr. to Sept. 5 a gain of $853,410. (10)

St. Paul, Minn. & S. Ste. Marie.—Earn. for the fisc. yr. end. June 30 scored a subst. imp. over yr. prev., a gain of more than $1,160,000, or 10.13 p. c. in gross. There was a reduc. of approx. $115,500, or 1.60 p. c., in oper. exp. resulting in a net expan. of $1,275,820, or 30.12 p. c. As "other inc." fell off nearly $500,000, while fixed and other chgs. rose about $270,000, there was left an inc. of but a trifle over $500,000 in surp. avail. for div. In spite of this, however, the surpl. over and above all chgs. and pfd. stk. divs. was eq. to over 11½ p. c. on com. stk, as comp. with but 9 p. c. in yr. prev. After 7 p. c. has been paid on both classes of stk., they share pro rata in the matter of further div. distrib. (11)

Tennessee Copper.—The capital stk. of the co. ($5,000,000 auth. and outst.) is listed on the N. Y. Stock Exch. Pres. states that the prop. of the co., carried on the books at $6,339,963, are conserv. worth $10,000,000. The co.'s sulphuric acid plant, now prod. at the rate of 60,000 tons per an., will by June 1 next output at the rate of 230,000 tons through add. now in progress. Divs. of 7 p. c. have been paid on the $5,000,000 stk. since 1903. (2)

Texas Pacific.—The stk. outst. amts. to $38,763,810, on which prac. nothing was earned in such good yrs. as '06 and '07. There are $24,660,975 inc. bonds ahead of the stk., and no int. on these is being paid at present. (13)

Third Ave.—The pub. serv. com. has denied appli. of com. of bondholders for reorganization. Points upon which denial is based: Applicants do not have a vested right to cap. franchises or to reorg., irrespective of the pub. serv. com. law. Applicants have failed to prove assets or prop. of suf. val. to justify a cap. of $73,000,000. In absence of proof, the com. will not approve, for no reorg. can be sound unless cap. has some relation to val. There are strong indic. that the present co. is overcapitalized and outst. stk. and bonds—$58,-560,000—are not rep. by actual prop. Net earn. will prob. be less than the est. given by the receiver, certain items having been omitted. Even accepting his est., there is no evidence to show the new co. would earn sufficient to pay int. on the adj. bonds, par val. $32,000,000, after exp., taxes and int. on prior liens. Upon appl. theory, there is no evidence to indicate that any div. would be paid upon the com. stk., par $20,-000,000. The issuance of sec. with so great a prob. that adequate int. and div. will not be earned is without justification, is dangerous finan., and injurious to the pub. The issuance of sec. does not make val. Such

ext. overcap. would lead, as in the past, to inferior service and unwar. exactions. The people of N. Y. have too vivid evidence upon this point to forget its import. Control would pass from st'kholders to bondholders with little prob. of its return for many yrs., if ever. This is true notwithst. that st'kholders are to be called upon for $4,000,000. The val. of prop. to be acq., as indic. by mkt. val. of the sec., is very much less than amt. of sec. prop. Mkt. val. cannot be used, therefore, to justify the prop. issues. The reorg. plan inv. capitalization of taxes, unpaid int., repairs, renewals and other improper cap. chgs., which is unjust. and inexp. Facts before the com. do not warrant the concl. that the cap. is reasonably req. by the new corp. (2)——Judge Lacombe signed an order postponing foreclosure sale of the co.'s prop. and franchises to Nov. 30. (6)

Union Pacific.—Jacob H. Schiff decl. that there would be no segregation. Another director said seg. is def. abandoned, but "there will be a distrib. of inv. divs. at the earliest possible date. There is somewhat over $20,000,000 to be distributed among holders of the proper inv. sec." (2)——Robert S. Lovett was elected chairman of the exec. com., to succeed E. H. Harriman, and Jacob H. Schiff and William Rockefeller were elected directors in place of Mr. Harriman and H. H. Rogers. Both new directors will have places on the exec. com.——Bal. remaining for divs. on com. stk. after the 4 p. c. div. on pfd. stk. ded., and divs. paid since 1905, show even in a panic yr. earn. ample to pay 10 p. c. divs. and leave handsome surp. Earned, 1905, 11.41; 1906, 14.21; 1907, 16.47; 1908, 16.23 p. c. (24)

U. S. Realty & Imp.—Pres. says: "Earn. for past five mos. have warranted an inc. and the directors are simply main. their past conserv. policy in making disb. where the bus. allows it. The placing of the div. on a 5 p. c. basis means a div. of about one-half of the net earn. to st'kholders." (2)

U. S. Rubber.—Now oper. at full capacity.——Co. is in process of creating an inter. mkt. for its goods. Through the acq. a few mos. ago of the Canadian Consol., the U. S. Co. now cont. 80 to 85 p. c. of the rubber footwear trade of Canada. Its invest. in the Can. Co. amts. in the agg. to about $2,000,000, and paymt. was made in cash and not in sec. U. S. Rubber, however, is already getting an avge. inc. return of close to 8 p. c. upon its $2,000,000 Can. invest. (2)

U. S. Steel.—The corp. is shipping at the rate of more than 12,500,000 tons of finished and semi-finished steel "for sale" a yr. This comp. with shipmts. of 10,564,537 tons in '07. (2)——Earn. of the corp. for cur. quar. will reach $37,500,000, and may even exceed that fig. Earn. as large as these would enable the corp. to show a bal. equiv. to 12 p. c. on the com. stk., after all deduc., incl. pfd. divs. A div. at the rate of 4 p. c. would mean the corp. paying to com. shareholders only 33 p. c. of amt. avail. for that purpose. (1)——It can readily be believed that Steel com. has disc. an inc. in the div. to 5 p. c. A larger div. rate than 5 p. c. could hardly be earned in a yr. like '09, and it has not been the corp.'s policy to pay larger divs. than can be earned every yr., good and bad. Further adv. in Steel would prob. be based on its spec. possibilities. (13)——An official states there will be no bonding of the Gary plant; that work in this connection will be paid for out of earn. (2)——Supts. of all the mills of the co. have been given orders to work their mills at their utmost cap. in an effort to make some inroad on the enormous tonnage that has been booked by the co. (1)

Utah Copper.—To turn out record prod. of 5,162,716 pounds of copper in Aug. it cost a very small frac. over 8 cents a lb. Fig. on an avge. price of 13 cents for the mo., the indicated prof. were 5 cents a lb., or $258,135 net. Officials of the co. say that Sept. output should exceed even that of last mo. The two plants at Copperton and Garfield are practically up to cap. and treating 8,500 tons a day. The co. is earn. approximately $4 per sh. on 726,000 shs., of which but one-half is being paid out in divs. (2)

Va.-Caro. Chemical.—Oct. 1st completes the first four mos. of its cur. fiscal yr. Gross sales for this period have been 15 p. c. ahead of the corres. mo. a yr. ago, while actual shipmts. and del. have been 10 p. c. better. For fisc. yr. ended May 31 gross sales inc. 8 p. c. A fact not gen. appre. is that co. has owned for sev. yrs. a 75 p. c. int. in one of the best potash mines in Germany. This mine is now developed to a point where it can supply bet. 66 and 75 p. c. of co.'s req. and in a comparatively short time further devel. will make it possible to take care of its entire potash wants for yrs. to come from this single source. Financing arranged in '08 will make a sav. this fisc. yr. in int. acct. about $200,000, or slightly less than 2 p. c. on the $27,984,400 com. stk. The co. is now prac. free from dependence upon banks, and with working cap. between $19,000,000 and $20,000,000, is in position to finance its growing biz. without creating a floating debt.

Wabash.—Pres. says: "If disposing of the Wabash is contemp., I am not aware of it. I therefore doubt that such a sale was contemplated." Fiscal yr. just closed rep. a period of grad. recovery from the fin. disturb., the first 5 mos. showing large dec. in earn. comp. with the same mos. of the yr. prev., but the succeeding 7 mos. show a steadily inc. impr. over the yr. prev. (11)——Official of the co. says that while the an. report shows a def., the co. is really $500,000 ahead, as most of the div. on deb. was paid to itself. The current mo.'s earn. will be near top, if not above Aug., '07, the prev. high point. (1)——Justice Marcus, of the Sup. Court at Buffalo, handed down an important decision in favor of Wabash. The decision has been affirmed by the Appellate Court. As a re-

sult the city of Buffalo will have to pay over to the Wabash about $1,000,000. (11)

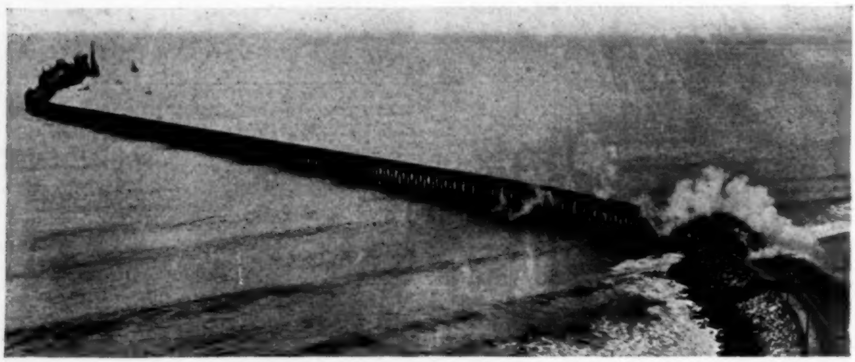
Western Maryland.—N. Y. Stock Exch has listed $7,225,000 addl. 1st mtge. 4 p. c. bonds, due 1952, making total amt. listed $42,518,000. N. Y. Stock Exch. auth. to be listed $15,685,400 Equitable Trust Co. dep. receipts for stk., and $5,000,000 Equitable Trust Co. purch. warrants for new com. stk. to be issued under reorg. plan.——All but a small portion of the stk. and prac. all of the gen. lien bonds have been dep. under the reorg. plan. The com. has taken no action toward ext. of time, and no indica. that it will do so. (1)——An order of forecl. and for the sale of the Western Maryland was signed by Judge Morris in the U. S. Cir. Court. John Hinkley was app. special master to execute the decree. He will later ann. the conditions of sale. (3)

Westinghouse Electric.—For the five mos. end. Aug. 31, the co. showed a surp. after fixed chgs. bet. $700,000 and $800,000, or at rate of $150,000 a mo. It is understood that surp. for Aug. was close to $220,000, which was at the rate of $2,640,000 a yr., a sum eq. to over 7 p. c. on the com. or assenting stk. The biz. of the co. is growing at a rate to warrant statement that before close of yr. surp. over fixed chgs. will be at the rate of $250,000 a mo., or $3,000,000 a yr., which would be equiv. to nearly 8 p. c. on the assenting stk. (1)——The co. has decl. a reg. quar. div. of 1¾ p. c. on its pfd. stk. and a div. of 3½ p. c. on the deferred accum. pfd. stk., payable Oct. 15. (11)

Westinghouse Air Brake.—The surp. for yr. app. for div. was $1,920,557, eq. to 13.71 p. c. on the cap., a dec. of $50,238. Divs. were red. by $412,629, and a net surp. of $546,076 was carried forward, as comp. with $183,686 in 1908. The profit and loss surp. at end of the yr. was $5,457,750, incl. $2,757,367 cash on hand. This is the largest cash bal. carried over in the co.'s history. (4)——The decl. of an extra div. of 1½ p. c. in add. to reg. div. of 2½ p. c. quar. is reassuring evidence that the recent troubles of this group is passing. The co. has put on a full force of 3,800 workmen and enough orders are on hand to insure the running of the co.'s plants for several mos. to come. (20)

Wheeling & Lake Erie.—The co. has issued, through its receiver, report for yr. end. June 30, '09, which shows gross earns. of $5,634,547, against $5,398,661, and a surp. after int., rentals, etc., of $27,433, against a defic. in the prev. yr. of $603,927. (3)

Western Union.—Pres. Clowry states that the sale of its holdings of N. Y. Tel. stk., amtg. to about $16,000,000 par value, will enable the co. to liquidate a consid. part of its bonded debt, and prov. for a long term of yrs. funds for imp. and const. (See Am. Tel. & Tel. Co.) (11)



THE LONG PIER AT PORT LOS ANGELES.

INQUIRIES

Is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated? If so, write questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

☞ WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.

Loaning Stocks

Editor of THE TICKER:

Do brokers whose customers have bought stocks on margin allow those stocks to be used for short sales?—C. G. W.

Ans.—Stocks carried on margin for customers by members of the Stock Exchange are loaned by one member to another, passing current among the members just the same as dollar bills. This permits the use of a customer's stock for short sales, as the stock may be loaned to another house which has a customer short of the same stock. If the stock is paid for in full but is left in the custody of the Stock Exchange house, it cannot be loaned by them for any purpose whatsoever.

See Supreme Court decision quoted in THE TICKER, vol. II., p. 249.

Information for Beginners

Editor of THE TICKER:

Will you please let me know of some book you would recommend to a beginner who desires to invest in stocks? A book which teaches how to read stock quotations, etc.—C. T.

Ans.—We would recommend Nelson's "A B C of Stock Speculation," price $1.06 postpaid, and Henry Hall's "How Money is Made in Security Investments," price $1.61 postpaid. We have both these books in stock and can fill your order promptly.

We do not fully understand your expression "How to read stock quotations, etc." If you refer to the abbreviations for the different stocks which come out on the tape, you will find them in the "Railroad Quotation Record," issued monthly by C. Mont. Benton, which we can furnish you for 25 cents postpaid.

Puts and Calls

Editor of THE TICKER:

Will you be kind enough to explain just what a "put" and a "call" mean? Also the price of each per hundred shares and the time for which they are good. Can they be bought from members of the New York Stock Exchange? If so, kindly state name of several firms.—O. V. C.

Ans.—In reply to your inquiry of the 13th, you will find full explanation of "puts" and "calls" in Vol I. of THE TICKER. The price of Vol. I. bound in cloth is $1.50.

The price of "puts" and "calls" varies according to the time for which they are good and the character of the market. We are not aware that any New York Stock Exchange houses make a practice of selling "puts" and "calls" to the public, but "puts" and "calls" sold by others are often guaranteed by Stock Exchange houses, which amounts to practically the same thing. For dealers in privileges see advertising pages.

Stop Orders on Short Side

Editor of THE TICKER:

I see you recommend always using a stop on the short side. I never use a stop on the short side, because that means a loss anyway if stocks advance, but wait till they drop back, taking care to never sell only when stocks are well advanced. There is practically no end to the time a short can keep his account open, his only danger being a corner. It may take months to make a profit on a short account or it may take years; but the time comes when stocks drop.—C. A. C.

Ans.—The time may come when they will not drop. Standard Oil, Lackawanna and other high-priced stocks were once cheap enough; but an obstinate short would have had a very poor show in them once they got a good start upwards. At the time of the Northern Pacific corner the short who had no stop loss order in was practically a ruined man. We believe a short seller should always use a stop loss order. Our own preference is for about a two point stop, but that is a matter of choice. Some traders might prefer a ten-point stop. But we do believe very strongly that the only safe plan for the short is to stop his loss somewhere. As a friend of ours used to say, "There is a bottom, but no top."

The Non-Forfeiture Plan

Editor of THE TICKER:

I would like to ask your opinion of .... & Co. of Philadelphia, and of the non-forfeiture payment plan, a copy of which I enclose. I would like to know if they are a responsible house.—H. C. K.

Ans.—We have no special information in regard to the reliability of the concern you mention. The objection to such a plan is that the concern has the custody of your money for a period of one year without giv-

ing you any security except their receipt. While this concern may be in position to live up to its contracts at the end of the year, again it may not.

So far as we are aware no reliable Stock Exchange house will do business on such basis as the contract you submit. In fact it could not do so as, after a decline of about 25% in the price of the stock, the house would be obliged to put up its own money to carry the stock through any further decline in order to live up to its contract with the purchaser. You will readily see that if the concern had accepted a large number of such contracts it would be unable to carry the stocks through a panic or any severe break in the market.

We do not wish to reflect upon the reliability of a concern which may be all right, but as a common sense proposition we think there must be something more in it for them than appears on the surface. We would not care to invest our own funds on such terms or without further guarantee that our money would be safe.

Tape Reading in Toronto

Editor of The Ticker:

The tape at Toronto records every transaction of 100 shares or more. As a general rule the number of shares is specified, though in very heavy markets the sale price alone may be quoted. There are also many stocks and bonds (minor ones, of course) dealt in in New York, which our ticker does not quote. The quotations are recorded in Toronto about one-half minute later than in New York. I enclose herewith a piece of tape and would ask if in your opinion it is sufficient to trade on.—W. J. M.

Ans.—The tape you have sent shows that Toronto tickers print what is in my opinion an exact duplicate of the Gold Stock tickers of New York, and for tape reading purposes they are as good as the best; but if, as you say, the volumes are omitted when the markets are very active, they will not do to trade on at such times. Volumes form a very important part of Tape Reading, and without them I do not see how you could trade by this method. The omission of the minor and inactive stocks and bonds is a help rather than a detriment, as it makes fewer quotations for you to carry in your head.

The fact that the Toronto tape is about a half minute later than New York is a little unfortunate but is not a serious objection. Altogether, I do not see any reason why you should not go ahead and learn tape reading from your Toronto ticker.

ROLLO TAPE.

"Manipulation"

Editor of The Ticker:

Will you please explain what "Puts" and "Calls" are? Is there ever any indication as to whether the movement of a stock is due to manipulation or is bona fide? —F. R. B.

Ans.—Puts and Calls are fully explained in Vol. I. of The Ticker, price $1.50 postpaid.

The article on "Manipulation" in the November Ticker bears on this subject. There is always more or less manipulation, so-called, in the stock market, but the importance of it is greatly overestimated. Moreover, the movement of a stock may be manipulated and bona fide at the same time—that is, the manipulator may be, and usually is right in his judgment.

You will find in the series of articles entitled "Studies in Stock Speculation" which begins in the November Ticker, helpful points as to detecting the purposes of manipulation. There is never any absolute proof of manipulation in a stock, but the experienced judge of technical conditions of the market can usually scent it when it is present to any important degree.

To answer your question in brief, there are usually such indications, but they are difficult for the novice to detect and understand. Experience and study of the market are the remedies for this difficulty.

Interest on Short Sales

Editor of The Ticker:

In Volume II. of The Ticker, page 127, in italics, it says, "Short sales carry no interest," and on page 126 you show an example where interest is omitted. My broker's statements always have the interest no matter whether long or short. I will give you an exact copy of a late statement in which I will omit the name of the stocks and the quantities.—C. A. C.

Ans.—The form of statement you give is a little different from that used by most Stock Exchange houses, and we are at a little disadvantage in interpreting it because you do not give the amount and prices of stock bought and sold; but it seems clear that you are mistaken in supposing that your broker is charging you interest on short sales. On the debtor side of the statement he charges you interest on the value of the borrowed stock, but on the credit side he allows you interest on the value of the stock sold short as well as on your cash balance. By this method he allows you interest on any profits you make on the short side. You will notice that you are credited with $1.83 interest for the month, which would not be the case if your broker had charged you interest on your short sales. See The Ticker Vol. II., pages 126, 188 and 190.

Stop Orders—Clearance Fees

Editor of The Ticker:

Will you please explain: (A.) The advantage of having up, say twenty points margin, and using a two-point stop, overtrading on a two-point margin? In either case if the market goes against you, a two-point loss is taken.

(B) If, in using a stop-order, the stop

is caught, will the broker always sell you out at exactly stop? If not, why not? If it is impossible for him to do so, should he not "stand in the breach?"

(C.) What is meant by "paying $1 clearance?" I have seen this term in THE TICKER.—E. E. W.

Ans.—(A) There is no advantage to the trader in having up 20 points margin and using a two-point stop, compared with trading on a two-point margin, except as it has a tendency to prevent him from overtrading. No reputable Stock Exchange house, however, will accept business on a two-point margin, as it exposes them to the danger of loss in case of a sudden movement of the market. Only a bucket shop will accept a two-point margin, and you are doubtless familiar with the dangers and disadvantages of trading with a bucket shop.

(B) If you buy a stock, your broker will sell it for you on stop at the best price obtainable, just as soon as a trade is made at or below your stop loss price. In other words, your stop order becomes a market order just as soon as the market reaches your price. The broker can usually execute the stop exactly in active stocks, but the price might jump down one or two points over night, for example, in which case he would have to sell for you at the opening price, which might be below your stop.

In an inactive stock the nearest bid, after a sale is made at your stop loss price, may be somewhat lower than the last sale, but your broker is obliged to fill the nearest bid with your stock, as the price might continue to go lower still.

Certainly your broker should not stand in the breach if he is obliged to sell the stock below your stop loss price, as he is merely your agent and is executing your order to the best of his ability. Why should he lose money for doing this?

These difficulties do not ordinarily arise in active stocks like Reading, Steel, Union Pacific, Erie, etc., where a stop can almost always be executed exactly at the price given.

(C) Clearance fees are paid by members of the Stock Exchange who prefer to have their trades put through the Clearing House by another member instead of maintaining all the necessary machinery for that purpose themselves. This term has no connection with trading through commission houses by persons not members of the Exchange.

"Oversold"—Intrinsic Value

Editor of THE TICKER:

(1) Why do corporations sell their stocks to investors or the public? Could not the promoters of a corporation, with sufficient capital to start it, keep the stock themselves and issue bonds for its expansion, thus being the owners thereof?

(2) When the price, we will say, of Union Pacific, fluctuates to any great extent, either upward or downward, does it have any effect on the railroad itself?

(3) I often hear the remark that a certain stock is "oversold." I could not understand this saying, and upon inquiry a friend told me that it was possible for a stock to be oversold three times the amount of its capitalization. If a corporation is worth say $10,000—$100 par value, there being 100 shares—how could a person sell 300 shares when there is only 100 shares constituting the corporation?

(4) How can I find the intrinsic value of a railroad, so that I may know when a stock is selling above or below its intrinsic value? For some time I have been trying to solve the problem, but have never met anyone who could solve it, everyone practically telling me, "Intrinsic value be d——d, the big fellows in Wall Street, who can put the stocks wherever they please—they are the intrinsic value of any stock." Is there any way to calculate the *future* intrinsic value of a stock?

(5) Do you not think it a good proposition to apply for the Daily Dividend Sheet, in connection with the Babson System, and play the various reasonably priced stocks for their dividends?—A. C. S.

Ans.—To cover your inquiries fully it would practically be necessary to write a book on the subject of investment and speculation. The best general advice we can give you is to read every back number of THE TICKER and each issue as it appears. In every number you will find information bearing on the points that puzzle you. The article on "The Principles of Price Movements," in the October number, should help you, also the short article on "Manipulation" in this issue. We would also recommend that you study "Moody's Analyses" and Henry Hall's "How Money is Made in Security Investments," both advertised in THE TICKER. To answer your questions in detail:

(1) The promoters of a corporation sell stock to the public either because they have not at their command sufficient money to meet the needs of the company in full, or because, although they have money enough for the purpose, they think they can invest it elsewhere so as to make it earn a larger return than it would earn if invested in the corporation's stock at the price which the public will pay for the stock. They are likely to issue bonds or stock according to which form of security can be marketed to the best advantage at the time. In times of dull business and low money rates, bonds are likely to sell best. With active business and higher money rates, stocks will sell best. You must bear in mind that the promoters usually care more about making money themselves than they do about retaining full control of the corporation. Moreover, they may sell a form of stock which does not carry voting power. Study the organization of the Rock Island Company.

(2) The fluctuations in the price of a stock are the result of changes in the inherent value and earning capacity of the company (among other factors), not the cause. Mere fluctuations in the price of the stock will not in themselves affect the operation of the company or its intrinsic value.

(3) A stock is said to be "oversold" when there is an extended short interest in it, which could not be covered without a sharp advance in the price. The extent of short interest which will cause a stock to be "oversold" depends upon the "floating supply" of that stock in the market—that is, the supply of stock that is held by speculators and passes frequently from one to another. In an inactive investment stock, like Chicago & Northwestern, for example, this floating supply is very small, and may be entirely non-existent. In Steel common it has always been very large. It is theoretically possible for a stock to be oversold three times the amount of its capitalization, as stock borrowed to fill short sales passes from hand to hand like a dollar bill; but in practice nothing of the kind could ever occur. A large short interest is soon discovered and is the target of bull operators until it is covered.

(4) The smaller fluctuations on the Stock Exchange depend chiefly on the technical condition of the market—size of short interest, amount of public speculation, efforts of pools to influence prices, amount of the floating supply, etc. The broad swing of the market depends upon two factors: Intrinsic value of the securities, and the rate of interest obtainable on money invested elsewhere than in the security markets. The only way to find out the intrinsic value of a security is to study the condition of the company—know what it owns, condition of its property, character and prospects of territory where it operates, its earnings, dividend payments, proportion of expenses to earnings, special conditions affecting the company, etc.—and to study the nature of the claim on the company given you by the security you are considering. If it is a mortgage bond, what is the mortgage on? If a guaranteed stock, how and to what extent guaranteed? If a preferred stock, what percentage of earnings is applicable to dividends on it, is it cumulative or non-cumulative, does it carry voting power? See our Bargain Indicator, our Investment Digest, and ask your broker for a copy of the Investor's Pocket Manual. Read our series of articles on "How to Select an Investment," by William Walker. There is no way to *calculate* the future intrinsic value of a stock, but an experienced investor can exercise considerable judgment on this point.

(5) If this question refers to buying before the dividend comes off and selling after there is "nothing in it." See Vol. II., page 130. The dividend sheet is useful as furnishing necessary information, but cannot be used as a direct means of making money.

Book Reviews

THE KING OF NOBODY'S ISLAND, by Thomas Enright. The Gibson Publishing Co., New York. Price $1.10 postpaid; 202 pages. For sale by The Ticker Publishing Co.

This is a story of speculation on the Stock Exchange and on the Chicago Board of Trade; of the nerve-racking life of the city and the silent solitude of Harrison's Lake; of the struggle for wealth, of a great wrong and its punishment, and a happy termination.

The author shows a literary touch, a sane viewpoint, and a mind of unusual clearness and poise. It is a pleasure to read his straightforward and well chosen English and the story grips the reader from the first chapter.

Perhaps those uninitiated in the ways of speculative markets would not find the same interest in the story as those well versed in the struggles of the Street, but the man in Wall Street or LaSalle Street, or the man familiar with the atmosphere of those famous thoroughfares, and who likes a good story, is missing something if he does not read the tale of Nobody's Island.